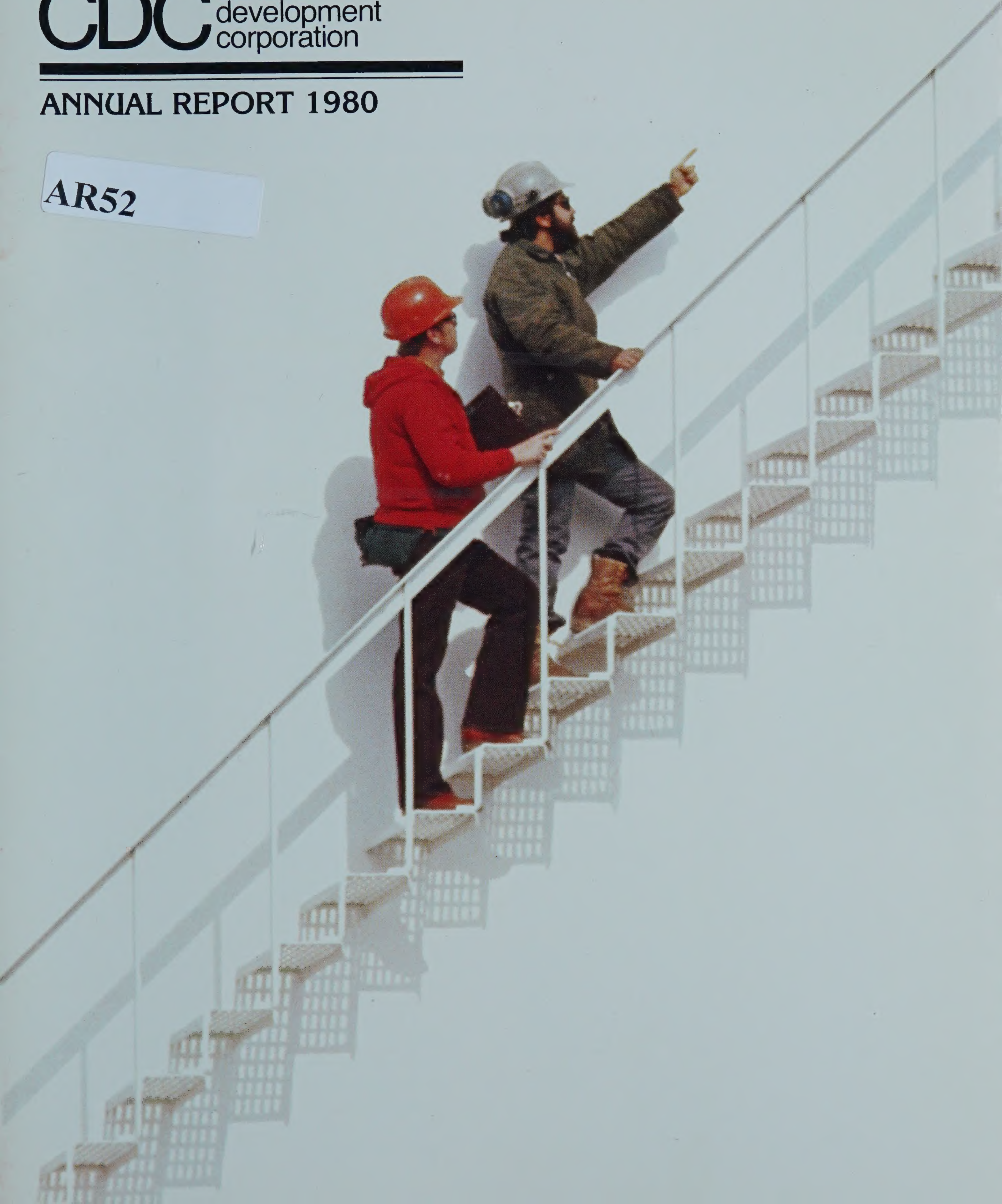
CDC canada development corporation

ANNUAL REPORT 1980



Major Investments at a Glance

PETROCHEMICALS

Petrosar Limited
60% CDC-owned
Total Assets
$828.7 million

North America's first integrated petrochemical refinery produces quality feedstocks for chemicals and plastics manufacturers.

Polysar Limited
100% CDC-owned
Total Assets
$1,044.1 million

A world leader in the manufacture and sale of synthetic rubber, latex, chemicals and plastics.

MINING

Texasgulf Inc.
34.9% CDC-owned
Total Assets
US$2,010.4 million

A major international diversified mining and natural resources developer and processor of base metals, fertilizers and chemicals, with growing activities in oil and gas.

OIL & GAS

CDC Oil & Gas Limited
100% CDC-owned
Total Assets
$348.1 million

A Canadian-controlled oil and gas exploration and production company with interests in the development of conventional and unconventional energy sources.

CDC's long-term investments at year-end totalled $921.6 million (valued at cost). By sector, they are found in the following proportions:

Petrochemicals	18.7%
Mining	39.1%
Oil and gas	13.4%
Electronics	17.6%
Life sciences	4.9%
Fishing	3.7%
Venture and expansion capital	2.6%

CANADA DEVELOPMENT CORPORATION

LIFE SCIENCES

CDC Life Sciences Inc.
100% CDC-owned
Total Assets
$153.3 million

A group of innovative companies enhancing Canada's presence in medical research through the discovery, development and marketing of pharmaceuticals, biologicals, fine chemicals and life sciences contract research services.

ELECTRONICS

CDC Data Systems Limited
100% CDC-owned
Total Assets
$225.8 million

CDC controls several prominent office electronics companies engaged in word processing, high-speed printers and distribution of distributed data processing.

FISHING

Fishery Products Limited
40.8% CDC-owned
Total Assets
$102.0 million

Newfoundland's largest private sector employer, engaged in both harvesting and processing of ocean products for retail and institutional consumers.

VENTURE AND EXPANSION CAPITAL

CDC Ventures Inc.
100% CDC-owned
Total Assets
$22.9 million

Manager of Canada's largest pool of risk capital through several venture and expansion capital companies which provide equity financing to small and medium-size businesses at the conceptual or development stage.

This report was composed on an AES word processor. Type was then set automatically by computer from the AES-produced magnetic disc. Many hours of typing and typesetting time were saved by this process. For more information on the role of AES Data Ltd. in the office of the future, see page 19.

Canada Development Corporation

CDC is a unique enterprise through which Canadian investors can work together to build a better future by employing their savings in the vigorous development of profitable enterprises. Although the initial share subscription came from the federal government, CDC was specifically designed to operate in the private sector from which it has raised all its funds since 1974. Thousands of individual Canadian investors and institutions now own some 51% of CDC and, as additional shares are issued to finance the Corporation's growth, this private sector ownership will move towards the 90% level envisaged in the founding legislation.

The Corporation's objectives are: to develop and maintain strong, Canadian-controlled and -managed corporations in the private sector; to widen the investment opportunities open to Canadians; and to operate profitably and in the best interests of all the shareholders. To reach these objectives, CDC generally acquires effective control positions and builds up managerial, entrepreneurial, technical and research talents in those companies so that they attain their maximum profitability and growth.

In keeping with the Corporation's distinctive objectives, ownership of CDC voting shares is restricted by law to citizens or residents of Canada and to Canadian-controlled corporations. No individual or corporate entity may hold more than 3% of the outstanding CDC voting shares.

Our Cover: Workmen climbing a Petrosar storage tank. Petrosar, Canada's first world-scale integrated petrochemical refinery, exemplifies CDC's emphasis on large, long-term development projects that upgrade Canadian resources and enhance the competitiveness of Canada's manufacturing industry.

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HEAD OFFICE:
Suite 2272, 200 Granville Street,
Vancouver, British Columbia, V6C 1S4

Pour obtenir l'édition française du présent rapport, on est prié d'écrire au Secrétaire, Corporation de développement du Canada, Suite 2272, 200 rue Granville, Vancouver, Colombie-Britannique, V6C 1S4

Highlights

	1980	1979	% CHANGE
	(millions of dollars)		
Total revenue	**$2,359.2**	$2,014.9	17.1
Net income	**189.1**	123.4	53.2
Cash flow	**331.3**	267.3	23.9
Working capital	**616.9**	430.7	43.2
Total assets	**3,446.3**	2,803.8	22.9
Shareholders' equity	**1,319.0**	852.3	54.8
Research & development expenditures	**46.2**	35.5	30.1
Fully diluted earnings per common share	**$3.52**	$2.45	43.7
Earnings per common share	**$5.13**	$3.42	50.0
Return on common equity	**24.1%**	19.1%	26.2

- Revenue, net income, assets and return on equity all at record levels (Page 2)
- CDC group companies complete more than $600 million in capital expenditures (Page 5)
- 1980 preferred share issue sets record as largest underwritten equity issue in Canadian history (Page 5)
- Petrosar makes first contribution to CDC after dividends to minority shareholders (Page 9)
- Polysar maintains earnings in face of recession (Page 10)
- AES shows excellent growth again (Page 19)
- CDC enters East Coast fishing industry (Page 22)
- Texasgulf net income rises by 138% (Page 32)
- CDC Oil & Gas earnings and exploration activity grow substantially (Page 33)

Report of Directors

The first year of the 1980s was the most profitable in your Company's history. Net income reached a record $189 million on consolidated revenues of $2.4 billion, representing a 53% increase over 1979's previous record of $123 million on revenues of $2.0 billion. Assuming full conversion of the convertible preferred shares into common shares, fully diluted net income per share for 1980 was $3.52 and for 1979 was $2.45. Return on common shareholders' equity rose to 24.1% from 19.1%. Cash flow grew by 24% to $331 million from $267 million.

More detailed analysis and comment about CDC's global and individual company results are given in the Financial Review and company sections later in this report. In brief, however, the main factors in 1980's strong performance continue to be earnings from mining, petrochemicals and oil and gas. Although the contributions of the high-technology companies are not yet comparable to CDC's income from resource operations, we are also pleased that the operating profits of our life sciences and electronics groups continued to grow.

CDC's mission has been to promote strong and growing enterprises in Canada's resource and high-technology industries and to generate the necessary profits to do so. This we believe that we have done. Our second decade will begin at the end of 1981; now is therefore a good time to review some of the main factors in our past accomplishments and to examine our plans for developing the Corporation even more vigorously in the future.

The Ingredients of Success

The fundamental requirement for corporate success is talented and dedicated people. However, once that management has been obtained, it is still necessary to provide a climate that will promote entrepreneurial and innovative attitudes, since it is this spirit which turns potential into reality and ideas into substance. This is what we strive to do at CDC and our associated companies.

One does not want to create an atmosphere where the risk-taker is reminded of his failures rather than his accomplishments, and chided because he does not produce instant successes. Equally, though, we have avoided creating a climate where there is no insistence on obtaining satisfactory results in a reasonable time frame. We believe that one of the reasons your Company has achieved its successes is that an appropriate balance has in fact been struck between risk and results, between creativity and conformity.

We also encourage the CDC group of companies to pursue the same entrepreneurial qualities that we prize so highly in our own managers. We want our companies to operate with autonomy and imagination, with managers who thrive on responsibility for their day-to-day decisions and accountability for the results of their actions. CDC provides a strong and vigorous influence in such key policy areas as expansion, acquisition, finance, management development, broad innovation and research strategies.

Polysar has spent $602 million on expansion and diversification since 1972, has increased its sales more than four-fold and multiplied earnings — one of the principal benefits from such aggressive expansion — 6.6 times. Capital expenditures at CDC Oil & Gas have gone from a nominal sum upon acquisition to some $90

million, more than 1.6 times the company's cash flow in 1980. The company has also taken the first steps in a $30 million experimental program to find a more efficient method of extracting and refining tar sands oil. If successful, this pilot project could lead to full-scale tar sands development much earlier than had previously been anticipated.

CDC's Investment Philosophy

Within this framework for innovation, we have set some basic guidelines for investment. Foremost among the characteristics we seek are: industries with superior profitable growth potential; long-term developments; opportunities in world markets; and emphasis on upgrading Canadian skills and resources.

Since our beginnings, we have evaluated potential investments on the basis of a longer-term approach. By accepting an extended time horizon and more elements of risk, we have greatly expanded the number of attractive investment opportunities open to CDC. Moreover, it has been our experience that larger development-type ventures eventually tend to earn higher returns and more than compensate us for the additional risk exposure we assume in their early days.

Petrosar is an excellent example of this commitment to long-term development. After more than half a decade of planning, construction and operating improvements, Petrosar is now entering the scheduled period of cash flow in excess of $100 million a year. If CDC had not looked forward in its investment decisions, Canada would still be without an internationally-competitive petrochemical refinery.

Of course, before making a long-term commitment to a new development, one must look to the anticipated future growth rate of the industry in question. At CDC, with its focus on expansion, we look for industries in which the rate of growth in the real value of production is at least three times that of real GNP. Despite world economic problems, many opportunities to make such investments are emerging — as a result of new technologies, fundamental structural changes or legal and social factors. The Delphax high-speed printer which we expect to have available by the end of 1981 is one of those new technologies; the CDC Oil & Gas tar sands experiment owes its existence to structural changes in the world energy position; and our entry into the East Coast fishing industry in 1980 follows legal and regulatory changes that have expanded the Canadian coastal limit and increased conservation of this renewable resource.

At CDC, we also strive to develop companies that can become world-scale and develop sales in foreign markets to gain the size needed for full operating economies and efficiencies. Thus AES Data sells some 75% of its word processing equipment — all of it designed and manufactured in Montreal and Toronto — outside Canada; the export sales support the company's heavy research, development and marketing costs. Similarly, Polysar, whose sales in countries other than Canada account for 82% of revenues, maintains a large and growing Canadian research centre on the strength of its profits abroad.

Finally, we try to focus our building efforts on Canadian strengths, whether in resources, technical skills, or design and marketing. As our success with AES in the office electronics field and as our new venture into biotechnology show, this does not mean we are interested only in those fields in which Canada has traditionally been strong — provided the basic ingredients for success are available to the enterprise.

Acquisitions and Expansion

During 1980, CDC entered several new ventures which meet the criteria described above. We acquired a substantial minority interest in one of Atlantic Canada's most important companies, reinforced our position in the electronics industry, and supported aggressive internal

expansion by the CDC family of companies. Early in 1981, we also launched a world-scale biotechnology venture.

In September, a 40.8% interest in Fishery Products Limited of Newfoundland was acquired for $34.4 million in share capital and long-term debentures. A family company since its incorporation in 1941, Fishery Products is now the largest private sector employer in Newfoundland. As a growth-oriented company based on a renewable resource, Canadian skills and competitiveness in foreign markets, and with attractive opportunities for further processing and marketing, Fishery Products epitomizes the characteristics we seek.

In October, US$30 million was invested in 8-3/8% convertible debentures of Lanier Business Products Inc., minority owner of AES Data and, as its exclusive U.S. distributor, largely responsible for the fact that AES word processors lead the American stand-alone market. The debentures, which are convertible into Lanier's publicly-traded common stock at a price of US$48 per share, are equivalent to 7.8% of the company's common equity. Although the investment is attractive in its own right, it also cements the strong relationship that exists between AES and Lanier.

In 1980, arrangements were made to purchase all Wordplex operations from AES, allowing us to provide full-range word processing lines from both companies and gain increased market penetration. The new company, Wordplex International Inc., is in the process of establishing a broader distribution network in the United States to match Wordplex's strength in European markets.

CDC, together with John Labatt Limited and the Government of Ontario, is forming a jointly-owned venture that will develop products and processes based on biotechnology. The venture — which will not produce short-term profits but should lead to new opportunities for growth and earnings in the decades to come — will focus on research aimed at the creation of new products or production processes, especially in industries with a strong Canadian presence and significant growth potential. It is expected to require funding in excess of $100 million over the first ten years. CDC will hold a 50% interest.

CDC Ventures, our venture and expansion capital division, was particularly active, establishing one new wholly-owned subsidiary and participating in the creation of three affiliates. The wholly-owned subsidiary, CapVest, was formed late in the year to invest in and develop enterprises that have the potential to grow large enough to be held and managed directly by CDC. A joint venture with Teck Research Corporation, TDC — Technology Development Corporation, will concentrate on high-technology research and development projects such as an advanced storage battery and a slow-release 20-year fertilizer. Merchant Bancorp, jointly owned with Equity Bancorp, will provide financing and support services such as marketing expertise for small and medium-sized companies. And a minority position was taken in the new Alberta Ventures Fund which will specialize in natural resources development as well as service sectors of the oil and gas industry.

CDC's risk capital division creates and fosters venture capital institutions which, in turn, select and manage individual projects. By 1980, Innocan Investments and Ventures West Capital, two of the venture capital institutions which have been CDC affiliates for many years, had developed to the stage where CDC's additional financial backing was not felt to be necessary. CDC therefore did not participate in new share issues by these companies during 1980, investing instead in the four new institutions described above. In mid-March 1981, CDC Ventures sold its holding in Venturetek International to other Canadian interests in order to free resources and attention for investment in newer venture capital projects.

Expansion of the other companies in the CDC group also accelerated in 1980. In the first year of a five-year multi-billion dollar program, group companies completed some $640 million in capital investments, an increase of more than 100% over the $300 million invested in 1979. Of this sum, the biggest single amount was spent by Texasgulf, whose expenditures for such projects as construction of the new copper smelter and refinery and expansion of the Kidd Creek mine capacity exceeded US $350 million. CDC Oil & Gas spent approximately $90 million on exploration and development work. Polysar invested $87 million, of which $25 million was employed in the first phase of a $350 million program to add a new butyl rubber plant, a new isobutylene extraction unit and to expand services such as waste treatment and power facilities. Petrosar initiated a three-year $50 million program to provide the flexibility to process a wider variety of feedstocks and to improve the reliability of plant operations.

In electronics, AES spent $9 million on a new manufacturing plant in Montreal as well as research and marketing demonstration equipment, supported by further CDC equity investment in this rapidly-expanding company. Life sciences companies invested approximately $7.9 million for improvements to and replacements of plant and equipment, including completion of enlarged and better-equipped laboratories at Bio-Research and construction by Connaught of new facilities for the manufacture of hepatitis testing kits and Vicogen vaccine.

As in past years, no major divestitures were made by CDC in 1980, although some venture capital holdings were sold at substantial profits.

Your Company is also committed to commercially-oriented research and development that creates competitive and needed new products and processes. During 1980, $46.2 million, not including funds used for exploration and development in the resource industries, was employed in the search for innovative new goods and technological advances that will lead to higher earnings in years to come. The program brought about such desirable results as new nitrile rubbers at Polysar, software and product advances at AES, and progress in Connaught's search for biotechnological means of producing vaccines and biologicals. We remain of the view that the practical commercialization of innovation is one of Canada's most important needs, rather than the pursuit of expanded research and development spending per se.

The active programs of acquisitions, expansion, and research and development made it desirable for us to return to the equity market for the first time in five years. A $300 million voting preferred share issue generated wide interest in all parts of Canada, was oversubscribed and has enjoyed a good after-market. It was the largest underwritten equity issue to that point in Canadian history. The support of so many investors for the CDC concept shows that increasing numbers of Canadians recognize the need to invest in their own future, rather than leaving the job to non-residents and governments.

Late in the year, CDC announced that the holders of Class B preferred shares would receive their second and last bonus common share. This distribution, completed in March 1981, increased the number of common shares available for trading by some 1,380,000. As a

result of this broader market, we believe that more investors will become interested in CDC's common shares.

One indication of the effect of the expanding market in CDC common shares is the fact that many shareholders have chosen to participate in our dividend reinvestment plan. Participants in the plan may use their preferred share dividends to purchase common shares from treasury at 95% of the average market price or, by making optional contributions, may purchase up to $3,000 of additional shares per quarter at market price. No brokerage or administration fees are charged. We are pleased to see thousands of shareholders expressing their confidence in CDC by taking advantage of the dividend reinvestment plan, putting their savings to work in the profitable development of growing Canadian companies.

Outlook

Internationally, the coming few years promise to be particularly uncertain and challenging, characterized by high energy costs and stubborn stagflation. In Canada, disputes over energy and the Constitution add difficulties of a home-grown nature. Thus, there is an understandable tendency to regard the future with some misgivings. However, change is a natural condition and those of us who have some entrepreneurial instincts should look to the years ahead as times of opportunity more than as times of problems.

Indeed, we believe quite strongly that each of CDC's companies has the potential to outperform the economy over the longer term. Those companies related to resources and their processing are well positioned with regard to properties, people and product know-how. Rapid technological developments in life sciences and electronics should also enable both these industries to turn their research, marketing and production skills to profitable uses in the years to come.

Looking to investment opportunities, we see a number of promising prospects in a variety of sectors of the Canadian economy. Industrial automation is one of the most attractive of the several high-technology areas that we are currently evaluating. Telecommunications and the energy service and supply field are two other areas we believe will meet our investment criteria. Our existing holdings in both resources and manufacturing offer considerable scope for acquisitions, both to enlarge their size and to broaden their product range. Indeed, in the kind of environment that we foresee, it is quite possible that electronics will become our second-largest industry investment.

In summary, CDC is in a good position to take advantage of the many openings that we are sure will mark the 1980s, difficult and discouraging though the decade may now appear. Your Company has a solid earnings base, a sound financial position and — most important of all — management groups in CDC and all our companies that have the skills and attitudes which are the most vital of the many ingredients necessary for continuing success.

In Memoriam

Life's qualities are never unalloyed — successes and setbacks are often interposed with each other. In August 1980, we were saddened by the loss of our colleague, Peter K. Powell, the Corporation's Executive Vice President, Finance and Administration. His untimely death at 42 deprived us of his wise advice, excellent financial counsel and valued friendship. We shall miss him.

On February 11, 1981, eight employees of Texasgulf Inc. died when their company plane crashed. Among those killed were Dr. Charles F. Fogarty, Chairman and Chief Executive Officer, and three senior executives: Gordon N. McKee, Jr., Vice-President and Treasurer; Frank J. Claydon, Vice-President and President of Texasgulf Chemicals; and Robert J. Boyle, Vice-President of Research, Engineering and Construction. We are unable to find better words to express our deep sense of personal loss than these written by Richard D. Mollison, Texasgulf's new Chairman and Chief Executive Officer: "It is a time of deep sorrow. Those who are gone were part of us. We shall go on. But we shall never forget them."

Directors, Staff and Shareholders

With great regret, the Board of Directors accepted the resignation, effective March 1, 1981, of Chairman A. John Ellis, 65, who has retired after seven years to devote more time to personal and other business interests. His insight, enthusiasm and warmth will be greatly missed by his fellow directors, management and staff. In recognition of his great service to the Corporation, the Board named him Honorary Chairman and Director Emeritus.

The Directors elected Frederick W. Sellers, 50, of Winnipeg, Chairman upon Mr. Ellis' retirement. A CDC director since the Corporation's inception in November 1971, he is a former Chairman of the Audit Committee, a member of the Executive Committee, Chairman of CDC Ventures Inc. and a director of several CDC affiliates. Like Mr. Ellis, Mr. Sellers will devote approximately half of his time to his duties as Chairman.

At the end of 1980, Hugh A. Martin resigned from the Board and we extend our appreciation to him for his contribution to the Corporation's affairs. Also retiring from the Board during the year were our two Ex-officio Directors, Dr. Grant L. Reuber, who left the position of Deputy Minister of Finance to return to the private sector, and former Deputy Minister of Industry, Trade and Commerce Marshall A. Cohen, who became the Deputy Minister of Energy, Mines and Resources. We thank them for their valued service and welcome their successors, Ian. A. Stewart and Robert Johnstone.

On your behalf, we extend special thanks to CDC's own small, highly efficient staff for their hard work and dedication. We also wish to thank the tens of thousands of employees whose efforts are behind the successes enjoyed by our companies. Although financial statements do not record these human assets, they play a vital role in CDC's growing list of achievements.

In conclusion, we thank you, the shareholders, for your steadfast support; it has been instrumental in our past accomplishments and gives us added faith in your Company's future.

Respectfully submitted on behalf of the Board,

FREDERICK W. SELLERS
Chairman of the Board

H. ANTHONY HAMPSON
President and Chief Executive Officer

March 19, 1981

Petrochemicals

A petrochemical storage tank at Polysar.

CDC upgrades Canadian petroleum resources into high-technology rubber and plastic products through two of Canada's most important petrochemical companies — Petrosar Limited and Polysar Limited — both based in Sarnia, Ontario. Petrosar, Canada's only world-scale integrated petrochemical refinery, processes crude oil into primary petrochemicals such as benzene, butadiene, ethylene and other olefins and aromatics for its shareholders — Polysar, Du Pont Canada Inc. and Union Carbide Canada Limited. Propylene is also produced for a variety of other customers. Other products include fuel oils, gasoline components, and fuel gases, mainly for Eastern Canadian markets. Polysar, which further upgrades these primary petrochemicals into synthetic rubbers, latices, styrene and thermoplastic resins, is one of Canada's most successful multinational companies. Products are marketed worldwide through sales offices in 55 countries. In addition to its principal manufacturing, research and corporate activities centred in Canada, Polysar operates plants in Europe and the United States.

GENERAL REVIEW

Petrosar Limited
(60% CDC-owned)

The 1979 annual report noted that a sophisticated petrochemical plant such as Petrosar's requires some five years of commercial operation and fine tuning before reaching its full potential. In 1980, after less than three years of operation, the plant operated with steadily greater efficiency and unplanned down time was substantially reduced from that experienced in 1978 and 1979. The much-improved physical operations, combined with higher margins on most principal products, enabled Petrosar to complete its first fully profitable year after payment of all financing charges.

As a result of on-going studies of ways to improve Petrosar's operating design, a two-phase capital investment program was initiated in 1980 to meet all petrochemical contracts within a changing crude oil supply situation and to reduce heavy fuel oil production.

Phase I is concerned with both plant reliability and feedstock flexibility. The reliability programs are aimed at improving the plant's operating efficiency, while the feedstock flexibility programs will see four of the company's eleven cracking heaters converted to crack atmospheric gas oil — which might otherwise be produced as fuel oil — in place of naphtha. A twelfth cracking heater, also designed to process atmospheric gas oil, will begin operations in 1981. When Phase I is completed by mid-1982, at a cost of some $50 million, Petrosar will possess the flexibility to maintain its current petrochemical products slate while reducing heavy fuel oil output.

In Phase II, scheduled for completion in 1984, it is proposed that a heavy fuel oil upgrader will be constructed to allow Petrosar to substantially eliminate the production of residual fuel oil by processing it further into petrochemical feedstocks and premium transportation fuel products. While the cost for Phase II has not yet

A portion of Polysar's No. 2 styrene plant in Sarnia.

been fully determined, it has been estimated at between $400 and $500 million on an "as spent" basis.

Petrosar's two-phase upgrading program is consistent with Canada's objectives of conserving scarce crude oil and expanding markets for natural gas. Petrosar has thus received written assurance from the Minister of Energy, Mines and Resources that, in the event of shortages, the company will be allocated crude oil on a basis equitable with all other Canadian refiners. These commitments are directly tied to timely completion of the heavy fuel oil upgrading facility.

Polysar
(100% CDC-owned)

Relatively weak economic performance by the major industrialized nations and low sales volume of the North American automobile industry caused 1980 to be weaker than 1979 for Polysar's major businesses. Physical sales of rubber products fell some 12% from 1979 levels but over-all sales volumes were down by only some 2% as chemicals and latex registered gains. Polysar's earnings were more buoyant than in previous periods of market weakness, reflecting the greater prominence of higher-margin, high-technology specialty products in the sales mix and the availability of fully-competitive feedstock supplies.

During the year, Polysar consolidated its position as a major supplier of latex in North American markets by acquiring two carboxylated latex plants in the United States. The company's latex production for the North American market has been substantially rationalized with high solids latex production now centralized in one location. These moves make Polysar the second-largest full-line supplier of latices in North America.

Polysar's research and development centre in Sarnia is one of the largest such facilities operated by any single company in Canada. Through its R&D programs, Polysar has become a world leader in process technology for various grades of butyl rubbers and in specialized applications of oil-resistant nitrile rubber products. Nitrile rubber products are expected to have widespread applications in the oil field service industry and in belting and conveyer systems for tar sands plants in Alberta. In recognition of the importance of research and development to the company's continuing earnings expansion, R&D expenditures were increased by some 20% to approximately $20 million in 1980 and will increase by an additional 25% in 1981.

Polysar is a growth-oriented company specializing in high-technology, high value-added sectors of the petrochemical industry. Last year's report noted that, to maintain the company's leadership position in its industry, planning had begun for a five-year expansion of its facilities. To this end — and to capitalize on

opportunities in Western Canada — Polysar proposes to spend some $1.25 billion over the next five years to expand production of its existing products, to add new products and to develop new markets. The $350 million first stage of this expansion program, which will include a major butyl rubber plant, a new isobutylene extraction plant and a major expansion of services such as new waste treatment and power facilities, commenced in 1980. In addition, the original styrene plant was recommissioned, enhancing Polysar's position as Canada's leading styrene producer.

For Financial Review, see page 30.

Mining

CDC plays an important role in the development of Canada's mineral resources as the largest shareholder in Texasgulf Inc., a major diversified international natural resources company. In Canada, Texasgulf produces zinc, copper, silver, lead, tin and cadmium in the form of concentrates and metals as well as sulphur, potash and oil and gas. The company's best-known operation is the giant Kidd Creek mine at Timmins, Ontario.

GENERAL REVIEW

Texasgulf

(34.9% CDC-owned)

(all financial figures in U.S. dollars unless otherwise designated)

Texasgulf enjoyed record earnings in 1980. While sales volumes were moderately higher than in 1979, average selling prices were much higher. The most notable price increases were recorded in silver, where intense speculation led to exceptionally high prices early in the year, and sulphur, which was in relatively short global supply as a result of strong demand for agricultural chemicals in the United States and political unrest in Poland and Iran, two major sulphur producers.

Metals

With production running at capacity for all metals and prices at historically high levels for much of the year, Texasgulf's Canadian-based metals operations registered outstanding operating results. The division's financial performance was excellent while its expansion program proceeded on schedule.

At year-end, construction of the new Cdn$300 million copper smelter and refinery at the Kidd Creek site in Timmins was virtually complete and the entire complex was scheduled for start-up by spring 1981. Although Texasgulf will have the world's most efficient copper processing operation, the company's engineers were at work throughout 1980 looking for additional ways to increase the plant's productivity. In 1980, work began on engineering and site preparation that would allow the plant capacity to be increased from 65,000 to 100,000 tons per year of refined copper. The expansion of the zinc plant from 120,000 tons to 140,000 tons of zinc metal continued and will be complete in 1982.

Development proceeded at the Owl Creek gold prospect near the Kidd Creek metallurgical site and Texasgulf expects to be producing gold there by the end of 1981.

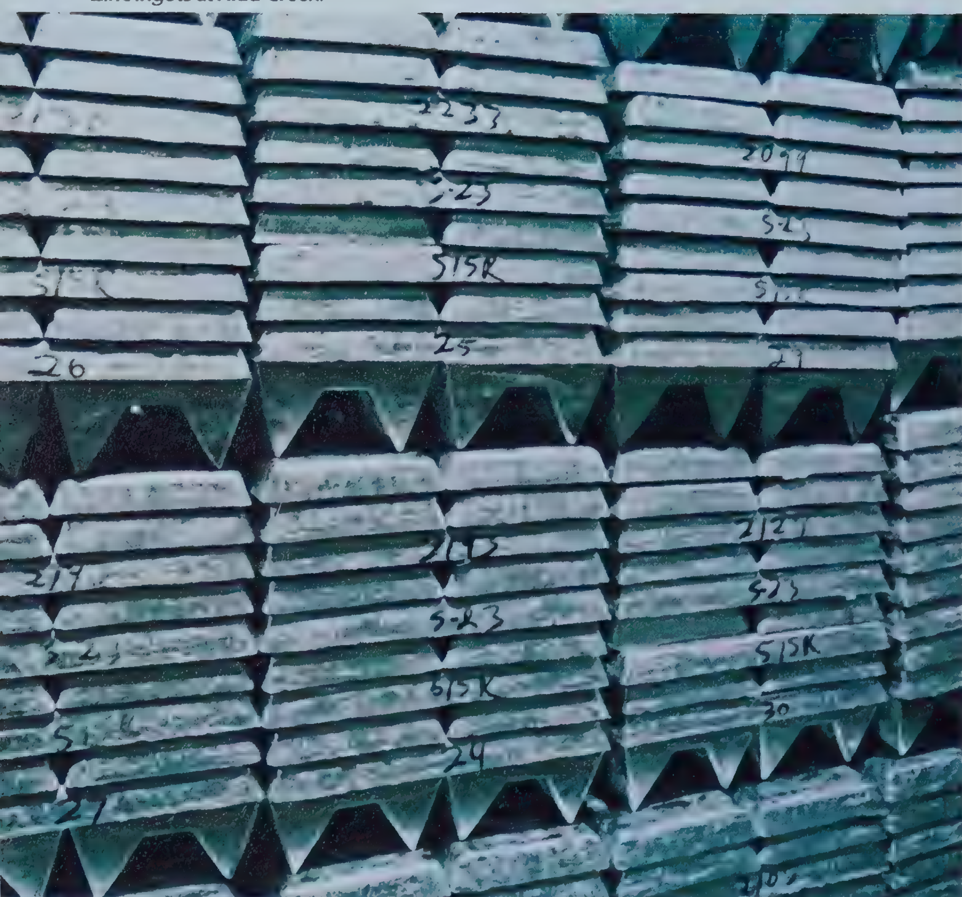
Texasgulf's interests in several foreign properties — the Cerro Colorado copper deposit in Panama, a 35% interest in Cliffs Western Australian Mining Co., and the company's remaining interest in Western Australian iron ore properties — were sold during 1980 and early 1981.

Chemicals

Demand and prices for most Texasgulf chemical products improved dramatically from the excellent levels of 1979. With the exception of soda ash, where weak demand prevailed throughout the year, production was near or above design capacity.

A $179 million expansion program to increase production at the Lee Creek phosphate operation by 50% from 680,000 tons of P_2O_5 to 1,020,000 tons per year was begun early in 1980; it is now about one-half complete and will be finished in early 1982. Expansion to 1.5 million tons per year of potash was completed at Allan Potash Mines in Saskatchewan, owned 40% by Texasgulf and 60% by the Potash Corporation of Saskatchewan. Engineering studies and environmental permit work continued on the doubling of capacity of the soda ash mine and plant in Wyoming.

Zinc ingots at Kidd Creek.



Oil and Gas

In 1980, as in 1979, Texasgulf concentrated on developing reserves and strengthening its land position in the Gulf of Mexico, which will result in substantial increases in natural gas production in coming years. $79.0 million was spent for exploration and development, including leasehold acquisitions in the Gulf of Mexico, compared with $51.1 million in 1979. A total of 44 wildcat wells — 13 in Canada and 31 in the United States — were drilled with 53% resulting in oil or gas finds. A total of 53 development wells were drilled — 32 in Canada and 21 in the U.S.

Minerals Exploration

Texasgulf's minerals exploration and development activities were at a new high in 1980. Capital expenditures for minerals exploration rose by $3.3 million to $12.9 million in 1980, reflecting Texasgulf's long-standing commitment to growth and diversification through finding and developing natural resources. Texasgulf has found nearly everything it produces. In 1980, Canada and the United States again received primary attention in the Texasgulf exploration program. Principal Canadian areas of interest are New Brunswick, Ontario, the Northwest Territories and British Columbia.

Research and Development

Texasgulf's research activities have been strengthened at the company's Colorado laboratory and at Kidd Creek. Among the company's research projects are the recovery of silver, sulphur, zinc, copper and tin values from Kidd Creek pyrite, leach testing of Wyoming uranium ores, and pilot testing of a new leach circuit for the soda ash expansion.

An important area of continuing business development for Texasgulf is the search for new uses and new markets for zinc. Texasgulf's efforts have resulted in new applications for zinc in metallizing, alloy bearings and foundry castings.

For Financial Review, see page 32.

Underground mining at Texasgulf's Kidd Creek mine in Timmins, Ontario.


MUSTANG

Oil and Gas

CDC Oil & Gas Limited, a wholly-owned CDC subsidiary, is actively involved in oil and gas exploration in North America and, since 1978, has conducted a modest uranium exploration program. Producing properties are mainly located in Western Canada while exploration acreage is in Western Canada, the Beaufort Sea, the eastern Arctic, the Labrador Shelf and the United States.

GENERAL REVIEW

CDC Oil & Gas
(100% CDC-owned)

Continuing a growth trend reaching back to the company's acquisition by CDC five years ago, CDC Oil & Gas almost doubled its exploration and development spending to some $89.4 million in 1980. 117,155 net acres of exploration leases were acquired at a cost to the company of $18.5 million, roughly unchanged from 1979. Details of the company's land holdings are found in the table headed Petroleum Exploration Land Holdings (page 16). Wildcat drilling expenditures increased to $29.3 million from $9.2 million in 1979 and development drilling rose to $18.4 million from $9.0 million with results as shown in the table headed Drilling Activity.

As the Western Canada sedimentary basin tends to be gas prone, recent high levels of exploration activity in Canada have resulted in extensive natural gas reserves. However, continuing weak markets for natural gas are resulting in deferment of drilling on some of the company's prospects and inhibiting growth in cash flow. Accordingly, in 1980 the company continued to orient its exploration activities towards oil plays.

Higher taxation brought about by the National Energy Program will restrict growth in cash flow in 1981. The negative impact of the new taxes may be offset in part by the new system of exploration incentives that are of significant benefit to a company such as CDC Oil & Gas which is spending considerably more than its cash flow on exploration and development and is wholly Canadian-owned. The fiscal regime that will exist following full implementation of the program reduces the attractiveness of conventional exploration and development in Western Canada to marginal or unacceptable levels in many instances. This will inevitably result in a failure to develop readily accessible oil and gas reserves. Exploration on Canada Lands, particularly in the frontier areas, becomes more attractive under the program and CDC will be expanding its activities in these areas.

Drilling Activity

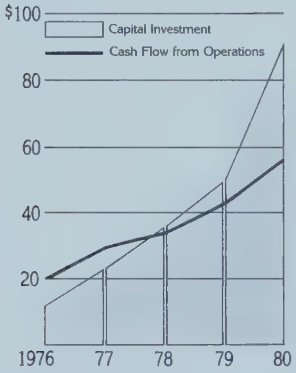
	1980		1979		1978	
Wells Drilled	Gross	Net	Gross	Net	Gross	Net
Oil	**34**	**13.2**	44	6.3	7	1.5
Gas	**67**	**23.5**	46	13.9	96	24.8
Service	—	—	7	0.1	7	0.1
Dry and Abandoned	**50**	**24.0**	28	16.8	12	3.1
Total	**151**	**60.7**	125	37.1	122	29.5

A drilling rig in the central foothills of Alberta.

In addition to its expanded Canadian operations during 1980, the company joint ventured with Forest Oil Corporation in a U.S. exploration program.

Construction began on a pilot plant to assess the feasibility of a steam injection process for bitumen recovery from the Athabasca tar sands. If successful, this new technology will reduce the costs now associated with tar sands development. As a second aspect of this program, planning began for a new experimental bitumen upgrading facility which produces readily-removable carbon dioxide and hydrogen sulphide rather than the more troublesome coke as by-products of the bitumen refining process. Total capital cost to CDC Oil & Gas of this two-part project will be some $30 million between 1980 and 1982. CDC Oil & Gas, operator of the pilot plant, has a 51% equity while Tenneco Oil of Canada has the remaining 49%.

Exploration and Development
(millions of dollars)



Reserves

The company's 1980 drilling program was very successful and, as the Proven and Probable Reserves table shows, resulted in additions to reserves of 6,822,000 net equivalent barrels, mainly in the Irrigation Block of South East Alberta, the Bigoray region of West Central Alberta, and the Mel East sector of North East British Columbia. After taking into account 1980 production of 4,177,000 net equivalent barrels, engineering revisions of 1,085,000 net equivalent barrels, and increases to probable reserves of 1,109,000 net equivalent barrels, the proven and probable reserves at year-end were 70,026,000 net equivalent barrels, an increase of 4,839,000 net equivalent barrels.

For Financial Review, see page 33.

Petroleum Exploration Land Holdings
(December 31, 1980)

Region	Total Acres Gross	Total Acres Net
Alberta	1,336,415	544,268
British Columbia	470,995	175,728
Saskatchewan	200,085	170,765
Manitoba	1,120	1,120
Canada Lands	4,411,050	615,440
Total Canada	**6,419,665**	**1,507,321**

Proven and Probable Reserves *(after royalty)*

	Crude Oil (Thousands of Barrels)	Condensate and NGL (Thousands of Barrels)	Natural Gas (Millions of Cubic Feet)	Total Net Equivalent Barrels** (Thousands of Barrels)
Proven Reserves at Dec. 31/79	11,938	5,290	264,844	61,369
1980 Additions	2,119	66	27,820	6,822
1980 Production	(1,199)	(390)	(15,531)	(4,177)
1980 Revisions	2,004	(552)	(2,194)	1,085
Proven Reserves at Dec. 31/80	14,862	4,414	274,939	65,099
Probable Reserves at Dec. 31/80	0	111	28,897	4,927
Proven and Probable Reserves at Dec. 31/80	**14,862**	**4,525**	**303,836**	**70,026**

** Natural gas has been converted to net equivalents of crude oil on the basis of 6 MCF equalling one barrel of crude oil.

Life Sciences

CDC Life Sciences Inc. — the largest Canadian-controlled firm in the important life sciences industry — controls CDC's investments in an internationally active group of companies. Members of CDC's life sciences group currently participate in four main areas — biologicals, pharmaceuticals, life sciences contracting and fine chemical manufacturing — and are working to develop new opportunities in other life science fields such as biotechnology.

GENERAL REVIEW

Connaught Laboratories Limited
(100% CDC-owned)

Established more than 60 years ago, Connaught Laboratories is one of the world's most prominent biologicals companies. A CDC company since 1972, Connaught produces human and animal viral and bacterial vaccines and is Canada's only producer of insulin and its largest supplier of blood fractions. In addition, the company is North America's only manufacturer of the increasingly-popular Salk inactivated polio vaccine for humans and the recently-introduced Vicogen vaccine for prevention of pervasive and often fatal neo-natal diarrhea (scours) in calves. Connaught's headquarters and principal research facilities are in Toronto.

Sales increased markedly in 1980, in large measure reflecting the first full year of Vicogen marketing in Canada and initial U.S. Vicogen sales in the final quarter; greater Canadian and U.S. demand for hepatitis testing kits and vaccines in general also contributed to the sales increases. However, despite the greater sales volume, operating income declined as expenses rose because of the introductory Vicogen marketing program, expanded research and development, and higher financing costs.

A 49% interest in Dominion Biologicals of Truro, Nova Scotia was acquired in 1980, reinforcing Connaught's position in blood diagnostic products.

Bio-Research Laboratories Ltd.
(100% CDC-owned)

The only sizable Canadian company providing contract research in toxicology, Bio-Research continues to increase its share of the American and European markets in which more than 90% of the company's work originates.

Sales more than doubled in 1980 over 1979 levels, despite an excess of capacity in the North American industry. The most significant growth occurred in toxicology services, where Bio-Research is noted for its high quality services to the pharmaceutical industry. This growth reflects the considerable progress that has been made in completion of facilities and recruiting of professional staff for this young company. The range of scientific services offered on a contract basis has been broadened and further growth in this area is expected now that key personnel are in place.

Raylo Chemicals Limited
(100% CDC-owned)

Raylo, an Edmonton-based company, conducts both contract research work and custom synthesis of specialty chemicals. Its customers include governments and private industry, primarily in North America.

Total sales increased by 20% in 1980, with a substantial increase being recorded in the contract research sector. However, chemical sales were hampered by recessionary conditions.

A/S Dumex
(75% CDC-owned)

Dumex manufactures prescription drugs, antibiotics and milk-based food products which are sold in more than 40 countries in Europe, the Middle and Far East, Africa and South America.

Excellent increases in sales and earnings were reported by all divisions, with particularly strong growth in the consumer products and pharmaceutical divisions. Exports from Denmark of concentrate for Maltex malt-based tonic were higher, largely as a result of production commencing at the new Nigerian Maltex factory. The modest animal feed products division, which was not compatible with other Dumex operations, was sold at a small profit.

Omnimedic Inc.
(70% CDC-owned)

Omnimedic prescription drug products, manufactured in Montreal, are marketed across Canada under the Nordic Laboratories name.

Sales continued the upward trend established in 1979 and operating results improved substantially, particularly during the second half. A new anti-ulcer drug, Sulcrate, was launched in mid-year and enjoyed good initial acceptance.

For Financial Review, see page 34.

Electronics

In 1978, CDC Data Systems, a wholly-owned CDC subsidiary, acquired two word processing systems manufacturers — AES Data Ltd. of Montreal and Wordplex Corporation of California — from CDC venture capital affiliates which had developed the companies from start-up. Wordplex was operated as a division of AES until the end of 1980 when it was established as a separate operating company. When investing in Wordplex in 1978, CDC acquired a majority interest in Ventek Limited, a U.K.-based distributor of data processing equipment. In 1979, CDC Data Systems entered into a joint venture with Dennison Manufacturing Company of the United States to develop a high-speed non-impact printer which will have widespread applications in both word and data processing.

GENERAL REVIEW

AES Data Ltd.
(78.5% CDC-owned)

1980 was a successful year of consolidation for AES. Revenues grew by 24% to $155 million from $126 million in 1979 and net income reached $4.5 million after a loss of $5 million in the previous year. AES was able to maintain this rapid sales growth in the face of intense global competition because of greater strength at both the senior management and sales levels. Earnings benefited from tighter cost controls and improved management information systems.

A number of new software products were introduced in 1980 that greatly enhanced the processing abilities of AES stand-alone and shared logic equipment. In addition, intensive development work, which will result in important new products, continued. Emphasis was placed on further strengthening the company's distribution network and ensuring that quality service would be maintained for AES' constantly growing customer base.

Research is in the forefront at Connaught Laboratories, Toronto.

Ownership of all Wordplex operations was transferred from AES to a new wholly-owned CDC subsidiary, Wordplex International Inc., at the beginning of 1981. AES will enjoy marketing and engineering benefits from the separation of the two companies. A new AES subsidiary will provide AES with separate sales and service in the United Kingdom. On the engineering side, AES is broadening its capability with shared-logic systems, an area in which Wordplex specialized when the two companies were combined. AES thus expects to compete even more effectively as a separate entity in this growing market.

Wordplex International Inc.
(100% CDC-owned)

Wordplex is already a leading supplier of a full range of word processing equipment in Europe, the United Kingdom and Australia. Transfer of ownership of all Wordplex operations from AES to a new wholly-owned CDC subsidiary, Wordplex International Inc., at the beginning of 1981 will ensure that Wordplex enjoys greater penetration of the U.S. market and is expected to increase CDC's share of the international word processing equipment market.

Significant new stand-alone products will be introduced in 1981 and Wordplex International will be opening sales and service offices in major American centres. Servicing of existing Wordplex users in the U.S. will also be handled by these new offices.

Delphax Systems
(50% CDC-owned)

Delphax, a joint venture between CDC and Dennison Manufacturing Company to develop an economical high-speed non-impact printer, was announced late in 1979. During 1980, staffing was begun, a Metropolitan Toronto research and development centre was established, and significant progress was made towards commercial refinement of the Delphax printer. Production is scheduled to begin in late 1981.

Ventek Limited
(57% CDC-owned)

Ventek, the United Kingdom distributor of distributed data processing equipment manufactured by Datapoint Corporation of the United States, experienced another successful year. Net income grew by 43% on sales increases of 30%.

Investments

CDC increased its equity position in AES by an additional $25 million in 1980; these additional funds were used by AES to sustain its rapid growth and intensify innovative product development. CDC also expanded its support for AES by investing $35 million to acquire convertible debentures equivalent to 7.8% of the fully diluted common equity of Lanier Business Products Inc., the American distributor and minority shareholder of AES. The investment in Lanier, attractive in its own right, further cements the relationship between AES and Lanier and provides the latter with greater financial resources to continue its aggressive development of the U.S. word processor market.

For Financial Review, see page 36.

An AES production line in Montreal.

Fishing

In 1980, CDC entered the Canadian fishing industry by acquiring a substantial minority interest in Fishery Products Limited, the largest private-sector employer in Newfoundland. Since its incorporation in 1941, Fishery Products has been a family business. However, it needed additional sources of equity capital to take full advantage of the unprecedented growth potential brought to the industry by new government emphasis on resource management and extension of the coastal limit.

GENERAL REVIEW

Fishery Products Limited
(40.8% CDC-owned)

CDC's $34.4 million investment in Fishery Products, made in September 1980, took the form of share capital and provision of long-term financing through debenture loans.

For the Newfoundland fishing industry, 1980 was a difficult and disappointing year, marred by weak markets and labour unrest. Prices for fish products in the important American market were soft, reflecting the general recessionary conditions in that country. Strikes by trawlermen, inshore fishermen and plant workers took place over the course of the year, with the result that operations were closed down for a total of some four months. Thus, while Fishery Products made a contribution to CDC's earnings from acquisition, the contribution was less than anticipated. Labour unrest of this magnitude is rare in the industry and such disturbances are not expected to recur in the short term.

Important plant upgrading and expansion commenced in 1980 and the company committed to the purchase of two new Canadian-built trawlers. The new vessels will be delivered in the latter part of 1981 at a cost of some $7 million each as the first stage of a five-year $60 million trawler replacement program. At year-end, the company was also investigating the possible acquisition of additional vessels.

The company strengthened its Massachusetts-based U.S. marketing organization in 1980 and laid the groundwork for a much larger Canadian retail operation that will feature more widespread distribution, new products and expanded marketing support.

For Financial Review, see page 35.

Packaging fillets at Fishery Products' Marystown, Newfoundland plant.


PRIME CUT COD FILLETS

Venture and Expansion Capital

Through its wholly-owned subsidiary CDC Ventures Inc., CDC operates Canada's largest pool of venture capital — equity funds invested in smaller business ventures at the conceptual or early development stages. Along with other investors, CDC Ventures held equity positions in seven venture capital companies at the end of 1980. These venture capital companies, in turn, invest in young smaller firms that promise substantial earnings growth in the long term. Like AES Data (which entered the CDC family as part of the Innocan portfolio) and Wordplex (initially held by Venturetek) before them, some of these venture capital-supported firms may eventually become candidates for acquisition by CDC itself. CDC Ventures also participates in CanWest Capital Corporation of Winnipeg, an expansion capital organization that acquires and participates in the management of medium-size companies, either to reorganize them and improve their profits with the intention of resale or to take positions in selected industries for long-term growth and development.

GENERAL REVIEW VENTURE CAPITAL

Innocan Investments Limited
(25% CDC-owned)

As it has each year since CDC assisted in launching the company in 1973, Innocan experienced excellent growth in 1980, adding one new company and expanding existing members of the Innocan group. The acquisition of Montebello Metal Ltd., a manufacturer of impact extrusion packaging products, will complement the product line of Innocan's Genpack Corporation, a manufacturer of plastic containers and packaging products. Substantial expansion, undertaken with financial assistance from Innocan, took place at Cremanco Systems Limited, a manufacturer of micro-processor systems for the food service industry; International Systcoms Ltd., specializing in communications and energy management; and Sentrol Systems Ltd., a manufacturer and distributor of electronic process control equipment for the pulp and paper, petroleum and metal industries.

To support this expansion, Innocan raised $16 million in new equity financing from existing and new shareholders. In keeping with the mandate of CDC Ventures to participate most actively in venture capital companies which are still in the early development stage, CDC decided against increasing its already substantial investment in Innocan, now a well-established corporation. As a result of this decision not to participate in the new share issue, CDC's ownership of Innocan declined from 37% to the current 25%.

When AES Data Ltd. was sold by Innocan in 1978, the agreement included provision for subsequent earn-out payments to Innocan. The final payment of $32.4 million was made in 1980. Innocan then distributed the entire payment as dividends to its shareholders, including $12.0 million to CDC.

Ventures West Capital
(25% CDC-owned)

1980 was an active year for this Vancouver-based venture capital company. Approximately $4.8 million was raised through two equity issues, one major asset was sold, a new company was added, and expansion took place in the minerals division. In addition, Ventures West was instrumental in the formation of Alberta Ventures Fund, a new venture capital company located in Calgary (see page 26).

Sale of Frio Oil Ltd. for $16 million allowed a cash payout of approximately $9.0 million to Ventures West's shareholders through redemption of preferred shares and dividends on common stock. CDC's share of this payout

Cremanco computerized control system (foreground) automates food services controls in many modern hotels and restaurants.

amounted to approximately $4.5 million, including $2.5 million received for redemption of preferred shares.

During the year, Ventures West acquired a 50% interest in Renoir Cheese, a manufacturer of Brie, Camembert and other specialty cheeses. Major improvements in the Freen Screen process led to a supply contract with a well-known U.S. television manufacturer. Further investments were made in mining activities in northern British Columbia and the Queen Charlotte Islands through its subsidiary, Ventures West Minerals. A gold mining property in Nevada and a lead zinc property in the Yukon showed excellent promise. A U.S.-based oil and gas company was formed.

CDC participated in the company's first equity offering but did not take part in the second offering. As a result, CDC's ownership of Ventures West declined to 25% from 49%.

The intricate research behind Vancouver's Moli Energy long-life electric storage battery is partially funded by TDC — Technology Development Corporation.

TDC — Technology Development Corporation
(50% CDC-owned)

A joint venture between CDC Ventures and Teck Research Corporation to bring high technology research and development projects to a commercial state, TDC — Technology Development Corporation was formed in 1980 with initial capitalization of $10 million. The company is currently involved in several development projects, including an advanced electric storage battery, pumps which convert salt water to fresh water, solar cells, superconductors, and a slow-release fertilizer. It is anticipated that further funding will be required in 1981 to maintain this ambitious development program.

Alberta Ventures Fund
(19% CDC-owned)

Alberta Ventures Fund, a new venture capital firm, was established in 1980. 50% of the Fund's capital was subscribed by Alberta residents and the remaining 50% was invested by Canadian institutions outside the province. AVF will direct its investments to the natural resources area with emphasis on the servicing and transportation sectors of the oil and gas industry where advanced technology can be used to commercial advantage.

Merchant Bancorp
(50% CDC-owned)

Designed to fill the gap between high-risk venture capital financing and normal banking functions, Merchant Bancorp was formed in 1980 as a joint venture between CDC Ventures and Equity Bancorp. Merchant Bancorp will arrange financing and provide support services such as marketing and strategic planning

guidance for small and medium-sized companies which have superior growth prospects. Merchant Bancorp will assist in mergers, acquisitions and management buy-outs.

CapVest Limited
(100% CDC-owned)

Wholly-owned CapVest was formed in 1980 to invest in and develop smaller enterprises that have the potential to grow large enough to be held and managed directly by CDC.

Venturetek International Limited
(CDC's 32% interest sold in 1981)

McPhar Instrument Corporation, a designer and manufacturer of geophysical equipment, received and completed a $3.5 million overseas contract during 1980. As a result of this offshore order and expanded demand for its services in Canada and Mexico, McPhar enjoyed record sales and earnings.

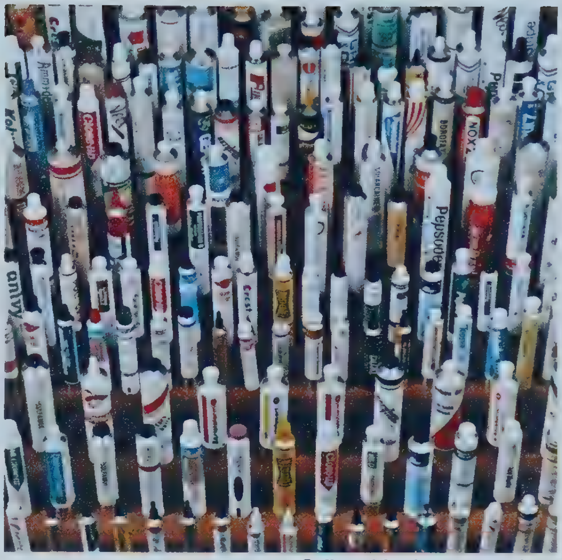
Stake Technology Limited, with two plants in Maine and Florida producing cattle feed from waste biomass, began construction of two new plants in Minnesota and British Columbia. Letters of intent were signed for construction of several more plants in Mexico. Research is continuing into adaptation of the company's technology to the production of ethanol.

PoP Shoppes sales reached $27.5 million in 1980. While further progress was made in controlling expenses, the company continued to record operating losses, although a capital gain was made on the sale of The Double Cola Company of Chattanooga, Tennessee.

In March, 1981, CDC Ventures sold its holding in Venturetek to other Canadian interests in order to concentrate on newer venture capital projects.

FINANCIAL REVIEW VENTURE CAPITAL

In 1980, the venture capital group, excluding CanWest Capital, incurred losses of $3.6 million. However, the success or failure of venture capital companies is not specifically measured by operating results in any particular year. Rather, the expectation is that profits will be earned through disposition of the individual investments once they have been developed to a point where they are attractive to other investors. During 1980, CDC received $17.0 million, in dividends and redemptions of preferred shares, from



Collapsible aluminum tubes, found in every home, are made by Montebello Metal Co., Hawkesbury, Ont., an Innocan company.

Ventures West and Innocan Investments; this represents CDC's share of proceeds from successful divestitures by those companies and reinforces our faith in the long-run profitability of venture capital activities.

GENERAL REVIEW EXPANSION CAPITAL

CanWest Capital Corporation
(46% CDC-owned)

1980 was a year of consolidation for CanWest. Management was strengthened in key areas. The financial services subsidiary acquired a controlling interest in Aristar, Inc., a major finance and insurance company in the United States. A 50% interest in Macleod-Stedman Inc., a Canadian retailing company, was CanWest's only direct acquisition during the year. CanWest's investments also include the Monarch Life Assurance Company, Crown Trust Company, Canreit Advisory Corporation, Na-Churs Plant Food Company, Global Communications Ltd., and Universal Subscription Television Inc.

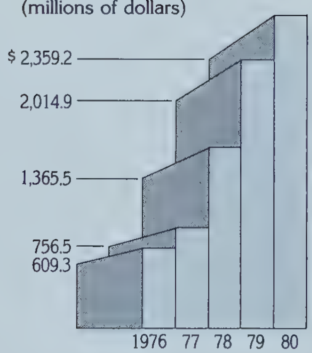
recession and lagging automotive sales held down revenue growth at Polysar but steadily improving plant operations at Petrosar led to enhanced output.

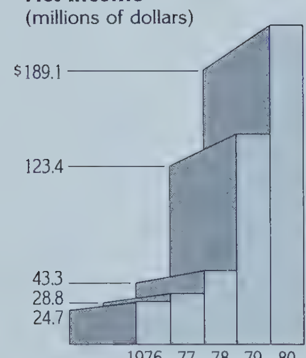
Contribution to Net Income

Net income rose by 53% to $189.1 million from the restated previous record of $123.4 million earned in 1979. CDC's consolidated and affiliated companies contributed to this net income as follows:

	1980	1979
	(millions of dollars)	
Petrochemicals	**$ 74.1**	$ 57.8
Mining	**108.1**	46.6
Oil and gas	**24.9**	20.2
Life sciences	**2.8**	4.2
Electronics	**—**	1.6
Venture capital	**(7.7)**	(3.4)
Fishing	**.7**	—
CDC	**(13.8)**	(3.6)
Net Income	**$189.1**	$123.4

Consolidated Financial Review





In our last annual report, we noted that CDC crossed the threshold of the 1980s in a strong financial position, well prepared for further growth through both expansion of existing holdings and acquisitions. During 1980, this financial depth enabled CDC to invest $113.3 million while its companies applied a further $232.2 million to exploration, development and additions to properties, plants and equipment. Record cash flow from operations of $331.3 million and a $300 million equity issue more than offset these applications of funds, bringing the Corporation to an even stronger financial position at year-end.

Consolidated revenues grew to $2,359.2 million from $2,014.9 million in 1979. Sales increased in each of CDC's four industry sectors, as shown in the following table:

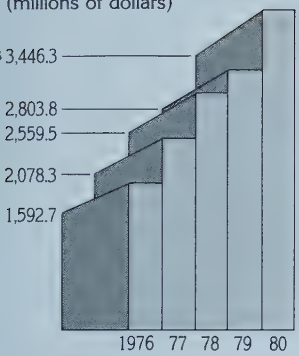
CONSOLIDATED REVENUE BY INDUSTRY SECTOR

	1980	1979	% CHANGE
	(millions of dollars)		
Petrochemicals	**$1,886.0**	$1,629.0	15.8
Electronics	**193.5**	153.5	26.1
Life sciences	**162.5**	132.3	22.8
Oil and gas	**63.7**	51.1	24.7
	2,305.7	1,965.9	17.3
Interest income	**27.6**	28.3	(2.5)
Other income	**25.9**	20.7	25.1
	$2,359.2	$2,014.9	17.1

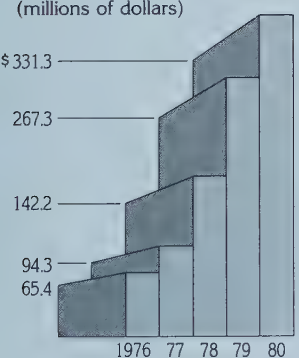
The greatest proportionate increase in revenues occurred in the electronics division where AES Data continued to increase market penetration while effecting new cost efficiencies. Widespread

Steadily greater operating efficiency, higher product prices and reduced down time contributed to substantially increased net income at Petrosar and resulted, after payment of preferred dividends, in a positive contribution to CDC and its other common shareholders. Reflecting the same factors that led to greater earnings, Petrosar's cash flow increased from $53.8 million to $110.2 million. Although physical sales volumes were reduced by 2% at Polysar as a result of the general economic slowdown, this effect was offset by rising prices, improved equity earnings from Petrosar, and foreign currency translation gains with the result that net income was virtually unchanged from the previous year. Texasgulf's substantially greater earnings resulted largely from higher selling prices of almost all products. At CDC Oil & Gas, cut-backs in natural gas purchases by Trans-Canada Pipelines brought about a small decline in production; however, net income rose by one-third from the 1979 level owing to product price increases that more than offset higher costs.

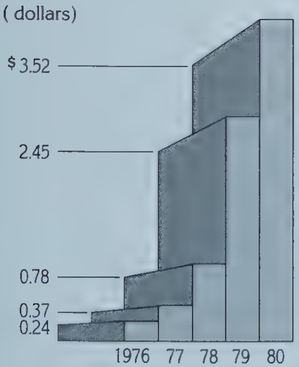
Total Assets
(millions of dollars)



Cash Flow from Operations
(millions of dollars)



Fully Diluted Earnings per Common Share
(dollars)



In the non-resources sector, operating income increased for the life sciences group but expanded investment in research and development, higher interest charges and heavy marketing costs caused net income to fall from the 1979 level. Earnings increases of CDC Data Systems primarily resulted from increased sales, tighter cost controls and improved management information systems at AES Data. In the venture capital division, profits resulted from the disposal by Ventures West Capital of its interest in Frio Oil. However, these were offset by operating losses suffered by other CDC Ventures' affiliates, including CanWest Capital which incurred losses on its U.S. pay television operations. Fishery Products became a CDC affiliate late in the third quarter of 1980 and made a small contribution to our earnings. Results of CDC itself reflect interest charges on the Corporation's long-term debt, withholding taxes on dividends from foreign sources and costs of CDC's own operations, offset to some extent by interest revenue on short-term investments.

After payment of preferred dividends, net income per common share was $5.13, an increase of 50% over the $3.42 earned in 1979. Assuming full conversion of the Class B and 1980 preferred shares into common shares, fully diluted net income per share for 1980 was $3.52 compared with $2.45 in 1979. Return on common equity rose to 24.1%, substantially greater than the 19.1% earned in the previous year.

Consolidated retained earnings increased to $451.6 million at the end of 1980 after dividends of $21.8 million on preferred shares and amortization of share issue expenses of $1.2 million. The corresponding figure in 1979 was $285.5 million.

Changes In Financial Position

Cash flow, the measure of internally-generated funds, increased to $331.3 million from $267.3 million in 1979. In addition to these substantial funds from operations, companies of the CDC group issued $179.8 million in long-term debt. Of this amount, primarily raised in foreign currencies, $136.5 million was raised by CDC Oil & Gas and $30.3 million by Polysar. CDC Oil & Gas arranged a further credit facility that was not exercised. CDC itself raised $300 million by issuing convertible voting preferred shares, the largest underwritten equity issue to that point in Canadian history.

These funds were used in acquisition programs, capital investments, reduction of long-term debt, and payment of dividends. CDC Oil & Gas invested $90.6 million in energy exploration and development. The CDC group of consolidated companies invested $141.7 million in additions to other fixed assets, including Polysar's $86.7 million expansion and acquisition activities. CDC itself invested $113.3 million, including $34.4 million for a 40.8% interest in Fishery Products, a $35.0 million convertible debenture of Lanier Business Products, and participation totalling $22.5 million in the Texasgulf dividend reinvestment plan. Long-term debt and investments by minority shareholders were reduced by a total of $164.9 million; of this amount, $96.7 million in debt was retired by CDC Oil & Gas and $35.0 million in preference shares were redeemed by Petrosar. Dividends of $73.5 million were paid to minority and preferred shareholders in Petrosar, Polysar, some life science companies and CDC. The balance of funds generated, $186.2 million, was added to working capital.

Financial Position at Year-End

CDC ended the year with shareholders' equity of $1,319.0 million, an increase of 54.8% over year-end 1979. Working capital stood at $616.9 million, including $369.8 million of cash and short-term investments. Total assets amounted to $3,446.3 million and long-term debt to $609.3 million. Thus your Company is well equipped to take advantage of the future opportunities for further expansion and acquisition that we confidently expect to arise.

Petrosar Limited

Commenced commercial operations April 1, 1978

Financial Review	1980	1979	1978 (9 months)
		(millions of dollars)	
Income Summary			
Revenues	**$ 865.7**	$ 687.2	$ 401.1
Cost of sales	**751.4**	633.6	389.3
Selling and administration	**19.8**	16.2	9.0
Interest	**12.3**	9.0	6.0
Taxes, minority interest, other	**35.5**	11.3	(2.4)
Net income	**46.7**	17.1	(.8)
Cash flow	**110.2**	53.8	9.5
Balance Sheet Summary			
Working capital	**$ 18.5**	$ 7.0	$ 3.9
Fixed assets (net)	**574.7**	574.6	587.5
Total assets	**828.7**	804.5	817.4
Shareholders' equity	**600.4**	620.2	646.9

Sales and Income

The steady improvement that has been apparent in Petrosar's revenues and earnings since it began commercial operations in 1978 accelerated in 1980. Revenues increased by more than 25% from the previous year's level to $865.7 million. As a result, net income grew by almost 175% to reach $46.7 million from $17.1 million in 1979. Higher average prime interest rates during 1980 caused dividends to holders of Class A preference shares to be $2.7 million greater than in 1979; nevertheless, after provision for these dividends of $37.5 million, common share earnings were $9.2 million compared with a loss of $18.2 million in the previous year. Cash flow of $110.2 million was more than twice the 1979 cash flow of $53.8 million.

Financial

During 1980, $35 million of Petrosar's Class A preference shares were redeemed, leaving $390 million outstanding. Polysar, Du Pont and Union Carbide subscribed to an additional $6.0 million of Class B preference shares. The additional subscription by the company's principal shareholders was made early in the year and is expected to be the last input for existing operations required from shareholders.

Capital Expenditures

A total of $20.7 million was spent for additions to and improvements of property and equipment, compared with $6.9 million in 1979. The increased capital expenditure represents the first stage in the five-year program to improve the plant's operating reliability and efficiency, to enhance its ability to crack a wider range of feedstocks, and to reduce heavy fuel oil production.

Outlook

In 1981, Petrosar is expected to achieve financial results similar to those of 1980 with slightly weaker markets offset by improved plant operations. Failure of the federal and provincial governments to resolve their differences over energy pricing may result in some shortages of domestic crude oil during 1981. In the event of such shortages, Petrosar has been assured of access to feedstocks on a basis equitable with other Canadian refiners. Should domestic shortages of crude oil arise, the program to improve Petrosar's ability to use a broader range of feedstocks would ensure that petrochemical output would not be adversely affected by any shortages.

As a result of the substantial capital expenditure program to improve plant efficiency and feedstock flexibility, Petrosar's earnings are expected to continue to improve in 1982 and beyond.

Polysar Limited

Financial Review	1980	1979	1978	1977	1976
			(millions of dollars)		
Income Summary					
Revenues	**$ 1,180.6**	$ 1,066.9	$ 807.3	$ 609.4	$ 488.9
Cost of sales	**966.4**	823.5	671.8	513.7	413.2
Selling, administration and research	**80.0**	72.8	72.4	58.2	46.1
Interest	**37.1**	31.5	28.3	21.1	14.9
Taxes, minority interest, other	**23.7**	65.0	16.3	2.0	7.2
Net income	**73.4**	74.1	18.5	14.4	7.5
Cash flow	**130.0**	141.0	64.1	41.6	28.0
Balance Sheet Summary					
Working capital	**$ 270.0**	$ 250.5	$ 200.8	$ 99.1	$ 77.8
Fixed assets (net)	**320.9**	243.9	216.3	222.8	207.3
Total assets	**1,044.1**	909.9	766.1	646.4	530.5
Long-term debt	**228.8**	203.1	205.1	191.8	160.6
Shareholders' equity	**380.7**	317.9	262.3	255.9	211.4

Sales and Income

Although Polysar's revenues rose by 10% in 1980, the impact of recession was evident in physical sales volumes which declined by some 2% overall. The effect of reduced volumes on earnings was offset by the year over year impact of rising prices, improved equity earnings from Petrosar, and foreign currency translation gains, with the result that net income declined by less than 1%, to $73.4 million in 1980 from the record $74.1 million earned in 1979. Working capital increased by $19.5 million in 1980, reaching $270.0 million. Internally generated cash flow of $130.0 million, while less than the $141.0 million recorded in 1979, was more than twice as great as the best cash flow for any other year. Shareholders' equity rose to $380.7 million from $317.9 million.

Financial

Significantly higher short-term interest rates, together with a higher average level of borrowing, caused financing costs to rise to $44.2 million in 1980 from $37.9 million in the previous year.

Capital Expenditures

Direct capital spending for additions to and improvements of property and equipment totalled $86.7 million compared with $58.3 million in 1979. The company increased its investment in Petrosar by $2.9 million, bringing the carrying value of its investment in Petrosar to $97.9 million at year-end. Total assets at December 31, 1980 stood at $1,044.1 million, the first time that assets have exceeded $1 billion.

Outlook

Markets for Polysar's principal products are expected to remain moderately weak in 1981 and this, combined with the costs of the ambitious expansion program begun in 1980, may result in slightly reduced earnings. Markets are expected to improve in 1982 and this, together with start-up of the additional butyl facilities, is expected to produce growing earnings through the middle of the decade.

Texasgulf Inc.

Financial Review	1980	1979	1978	1977	1976
		(millions of U.S. dollars)			
Income Summary					
Revenues	**$ 1,132.0**	$ 801.6	$ 608.9	$ 491.1	$ 490.6
Operating costs and exploration	**663.0**	544.5	481.3	375.8	342.8
Selling and administration	**45.5**	34.1	24.9	24.0	25.8
Interest	**2.2**	14.5	35.0	27.0	27.0
Income taxes	**134.8**	71.6	17.6	18.0	34.2
Cumulative effect of change to flow-through method of accounting for investment tax credits	**39.1**	—	—	—	—
Net income	**325.6**	136.9	50.1	46.3	60.8
Working capital provided from operations	**360.3**	205.0	107.2	84.8	113.1
Balance Sheet Summary					
Working capital	**$ 292.3**	$ 266.6	$ 233.0	$ 249.8	$ 247.9
Fixed assets (net)	**1,415.6**	1,127.0	1,031.4	997.5	888.6
Total assets	**2,010.4**	1,648.1	1,513.8	1,477.9	1,315.4
Long-term debt (less current maturities)	**344.5**	351.2	357.4	366.6	266.2
Shareholders' equity	**1,167.6**	870.5	766.4	752.1	750.2

(All figures are reported in U.S. dollars unless otherwise stated.)

Sales and Income

Buoyant market conditions for most products — particularly silver and sulphur — led to a record year for Texasgulf. Sales grew by almost 40% to $1,090.1 million, the first time in the company's history that sales have exceeded the $1 billion mark. Net income of $325.6 million was more than double the $136.9 million earned in 1979; CDC's share of these earnings was $108.1 million.

Net income rose by 90% to $168.3 million for Texasgulf Chemicals Company, by almost 90% to $116.5 million for Texasgulf Metals Company, and by 107% to $5.8 million at Texasgulf Oil and Gas Company.

Operating costs increased in 1980, partly as a result of higher sales volumes but primarily because unit costs increased. Interest expense declined in 1980, principally because more interest was capitalized. The effective rate of income taxes decreased to 32% of pre-tax income in 1980 from the 1979 rate of 34%, the result of changing the technique of accounting for investment tax credits to the flow-through method which prevails in the mining industry. Under the flow-through method, investment tax credits are reflected in net income in the year the qualifying investment is made, rather than by amortizing the credits over the estimated lives of the equipment.

Financial

Texasgulf's already strong financial position improved further in 1980. Total debt to total adjusted capitalization decreased to 23.0% from 29.0% for 1979. Coverage of fixed charges was 9.0 times, compared with 4.3 times in 1979. Working capital amounted to $292.3 million at year-end and assets totalled $2,010.4 million, an increase of $362.3 million. Shareholders' equity stood at $1,167.6 million, up by $297.1 million.

No new borrowing was required during the year and long-term debt was reduced by $6.3 million through sinking fund and scheduled repayments and purchases of debentures.

Outlook

Domestic and export demand for phosphates and potash is expected to be strong. Sulphur is in tight supply worldwide. Zinc prices are expected to continue to improve. Soda ash and copper prices should rise with an upturn in the economy, especially in the housing and automobile industries. World consumption of Texasgulf's principal products will continue to grow.

CDC Oil & Gas Limited

Financial Review	1980	1979	1978	1977	1976
			(millions of dollars)		
Income Summary					
Revenues	$ **64.3**	$ 51.3	$ 43.2	$ 35.3	$ 26.5
Operating costs and depletion	**21.7**	16.5	13.4	10.7	9.0
Administration	**3.1**	1.7	.9	.7	.7
Interest	**—**	.3	.8	.7	1.7
Income taxes	**12.4**	12.5	10.4	8.5	5.4
Net income	**27.1**	20.3	17.7	14.7	9.7
Cash flow	**54.2**	41.9	34.0	29.4	20.6
Balance Sheet Summary					
Working capital	$ **11.4**	$ 13.5	$ 3.1	$ 4.6	$ 5.4
Fixed assets (net)	**305.1**	227.6	182.8	148.2	79.5
Total assets	**348.1**	250.1	194.4	157.6	87.8
Long-term debt	**117.3**	77.5	78.3	69.3	20.0
Shareholder's equity	**131.1**	110.2	69.3	56.0	45.8

Sales and Income

Production in 1980 was modestly lower than 1979 levels, primarily caused by cut-backs in natural gas purchases by TransCanada PipeLines. However, revenues increased to $64.3 million from $51.3 million in 1979. Cash flow from operations rose to $54.2 million from $41.9 million the year earlier. And net income came to $27.1 million compared with $20.3 million in 1979.

Higher costs for labour and materials together with increased corporate activity and significant expansion of the professional staff resulted in increased operating and administrative expenses of $11.6 million compared with $8.6 million in 1979. The charge for depreciation, depletion and amortization rose by $3.5 million to $13.2 million, reflecting revisions to reserve estimates, higher production levels in the United States, and the greater costs of finding new reserves relative to the cost of existing reserves. Total income taxes amounted to $12.4 million, with the entire amount deferred due to the high capital expenditure level.

Financial

Working capital stood at $11.4 million at year-end 1980, a $2.1 million decrease over the year. Dividends of $6.2 million were paid to CDC. The company arranged a $315 million revolving/term loan facility with a Canadian chartered bank and successfully placed a six-year 50 million Swiss franc note with a European financial institution.

Capital Expenditures

Capital expenditures during 1980 amounted to $90.6 million, an increase of 66% over the $54.4 million spent during 1979. This amount was 1.67 times the company's cash flow and required increased borrowing.

Outlook

As a result of higher taxes under the National Energy Program, 1981 earnings at CDC Oil & Gas are expected to be some 20% below levels achieved in 1980. Continued concentration on expansion of the company's reserves will create a strong base for earnings growth in the mid-1980's.

Change in Accounting Practice

In 1980, the company changed some aspects of its method of accounting for oil and gas properties. An explanation of these changes may be found in Note 10 to the Consolidated Financial Statements.

CDC Life Sciences Inc.

Financial Review	1980	1979	1978	1977	1976
			(millions of dollars)		
Income Summary					
Revenues	**$ 171.8**	$ 137.8	$ 139.8	$ 109.2	$ 90.8
Cost of sales	**81.8**	63.4	66.6	56.1	47.7
Selling, administration and research	**76.6**	64.6	60.4	45.2	38.4
Interest	**4.8**	4.3	6.2	4.4	3.8
Taxes, minority interest, other	**5.8**	1.4	2.6	4.9	.7
Net income	**2.8**	4.1	4.0	(1.4)	.2
Cash flow	**11.2**	13.5	10.7	5.7	3.7
Balance Sheet Summary					
Working capital	**$ 43.5**	$ 39.6	$ 38.8	$ 12.7	$ 15.7
Fixed assets (net)	**56.3**	54.8	51.0	40.1	35.8
Total assets	**153.3**	154.2	152.8	108.7	101.3
Long-term debt	**20.0**	19.8	18.0	16.1	16.2
Shareholders' investment	**47.6**	44.8	44.3	38.3	39.7

Although net income for CDC Life Sciences was lower in 1980 than in 1979, operating profits increased 40% over 1979 and major improvements were effected at Dumex, Omnimedic and Bio-Research.

Connaught Laboratories

Despite a 1980 sales increase of 14% to $46.6 million, operating income fell from the 1979 level, largely as a result of some production problems and marketing expenses to launch the new Vicogen vaccine in the United States. Sales were only slightly reduced by the arrival of a second supplier of insulin in the Canadian marketplace; this was more than offset by very strong gains in sales of diagnostic products and vaccines. Research and development expenditures increased by 45% to $9.0 million with significant growth occurring in long-term research programs designed to lead to fundamental new products and processes.

Bio-Research Laboratories

1980 was the first full operating year for the restructured company and sales more than doubled to $4.8 million, reflecting steadily increasing penetration of the U.S. and European toxicology market. This was achieved despite substantial excess capacity in the industry, particularly in the United States. As anticipated, the company experienced a small loss in 1980 but enters 1981 with a good backlog of contracts in hand.

Raylo Chemicals

Contract research sales grew quickly again in 1980 but the softening economy led to reduced sales volume in the chemical sector where profit margins are greater. Net results were generally unchanged from 1979 when a small loss was incurred.

A/S Dumex

Sales increased by 25% to $103.6 million in 1980, led by pharmaceutical and consumer products division sales. Combined with tight control over expenses, this sales increase yielded net income more than double the 1979 level.

Omnimedic

Sales increased by 10% over the 1979 level despite continuation during the first six months of a labour dispute which began the previous year. Although the company showed considerable improvement from 1979 and was profitable during the second half of 1980, modest operating losses were recorded for the year as a whole.

Outlook

Growth in both sales and profits is expected at Connaught in 1981. To meet anticipated demand for the company's products and to further improve research facilities, a sizable capital investment program will be undertaken.

Bio-Research sales should increase again in 1981 and produce an operating income for the first time. The company

is expected to be able to finance growth of its existing operations from internal resources with no further CDC investment required.

Continued growth in both revenues and earnings are expected at Dumex. However, political and economic uncertainties continue to prevail in many of the company's markets, making forecasting difficult.

Continued improvement in sales volume and profitability is projected at Omnimedic. Substantial sales are expected for the company's new anti-ulcer drug, Sulcrate.

Expansion of Raylo Chemicals' contract research work and recovery of its chemical sales are expected to put the company in a break-even position in 1981.

Overall, CDC Life Sciences sales are forecast to increase by some 20% with even greater improvement in operating results. Most of the contribution is expected to come from Dumex and Connaught, assisted by continuing improvements at Bio-Research and Omnimedic.

Imasco-CDC Research Foundation

The Imasco-CDC Research Foundation, supported by joint contributions from Imasco and CDC, was formed during 1979 to promote research into the discovery and development of products, processes and devices for the prevention, treatment and cure of diseases in humans and animals.

Administration of the Foundation is supervised by a four-man Board of Directors appointed by Imasco and CDC. Research and development grants are awarded on the basis of recommendations by an independent Scientific Advisory Committee consisting of a distinguished group of Canadian medical professionals and scientists.

During 1980, the Foundation made its first three grants, for a total of $200,000. These three programs will continue during 1981 and will be joined by four additional projects. Total cost for the seven programs in 1981 will be $600,000.

Fishery Products Limited

(CDC interest acquired September, 1980)

Financial Review	**1980** (4 months)
	(millions of dollars)
Income Summary	
Revenues	$27.2
Contribution to CDC	.7
Balance Sheet	
Fixed assets (net)	45.9
Total assets	102.0
CDC's investment	34.8

In common with other Newfoundland fishing companies, Fishery Products suffered from weak markets and labour unrest in 1980. Thus, although conditions improved throughout the final quarter and the company contributed $.7 million to CDC, the contribution was less than had been anticipated.

Outlook

The Canadian fishing industry is benefiting from changes in international law that have extended the coastal limit to 200 miles. In addition, new federal government emphasis on conservation of this renewable resource ensures that the Canadian fishing industry will be able to keep pace with growing international demand. Thus, industry prospects are excellent.

Fishery Products itself is carrying out a capital expansion program that, along with new retail marketing programs begun in 1980, is expected to result in greater growth and enhanced profitability in coming years.

CDC Data Systems Limited

(Commenced operations August 1978)

Financial Review	1980	1979	1978 (5 months)
		(millions of dollars)	
Income Summary			
Revenues	**$ 195.2**	$ 154.6	$ 44.6
Cost of sales	**94.9**	84.0	21.8
Selling, administration and research	**87.6**	66.5	19.2
Interest	**6.6**	4.4	1.1
Taxes, minority interest, other	**6.0**	(1.9)	1.2
Net income	**.1**	1.6	1.3
Cash flow	**16.8**	21.8	16.2
Balance Sheet Summary			
Working capital	**$ 45.4**	$ 38.0	$ 20.7
Fixed assets (net)	**23.7**	15.6	9.1
Total assets	**225.8**	180.5	128.4
Long-term debt	**29.3**	18.8	17.7
Shareholders' investment	**121.2**	39.3	40.6

Financial results for CDC Data Systems are after amortization of goodwill related to the acquisition of AES Data and the expensing of all outlays at Delphax.

AES Data Ltd.

In past years, AES has given priority to gaining market share. While this effort was continued in 1980, emphasis was placed on increasing the overall efficiency of the company. Sharp reductions were achieved in marketing and administration costs as a percentage of sales and important economies were also recorded in production costs. While this consolidation was taking place, sales increased by some 24% in the face of world-wide recession and intense market competition.

AES, including Wordplex, earned $4.5 million on sales of $155 million in 1980 compared with a loss of $5.0 million on sales of $125 million in 1979. Working capital at year-end had increased to $42.2 million from $20.8 million in 1979 and total assets grew to $132.6 million from $109.7 million.

Ventek

Ventek maintained its record of strong growth in revenues, increasing sales by more than 30% to $38.2 million from $29.0 million in 1979 and earning a healthy return on investment. Working capital at year-end stood at $6.7 million and total assets had reached $18.4 million.

Outlook

AES expects a more rapid growth rate in 1981 as a number of new products are introduced to the marketplace. Whereas some increased marketing and administrative efficiencies will be obtained, the changeover in manufacturing and field engineering to these new products will limit any improvements in pre-tax margins. The full benefit of new word processing products is typically not realized until the second and third year of production.

Wordplex will operate as an independent entity in 1981. This independence should increase the company's share of international word processing markets, although costs of establishing a U.S. distribution network will hold down earnings in the short term.

Delphax printers are expected to be available for sale to electronics equipment manufacturers late in the year but any significant contribution to revenues and earnings of CDC Data Systems in 1981 is unlikely.

Consolidated Financial Statements

Year ended December 31, 1980

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of Canada Development Corporation and its subsidiaries is presented to assist the reader of the financial statements.

Principles of Consolidation

The consolidated financial statements incorporate the financial position, operating results and changes in financial position of the Corporation and its subsidiary companies, which are listed in note 11.

Foreign Exchange

Non-Canadian current assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, all other assets and liabilities at the rates prevailing when the assets were acquired or the liabilities incurred. Income and expenses, except depreciation, depletion and amortization, are translated at rates in effect during the year. Gains or losses resulting from such translation practices are reflected in the consolidated statement of income.

Short-Term Investments

Short-term investments are valued at cost which approximates market value.

Inventories

Inventories are valued at the lower of cost and realizable value.

Long-Term Investments

The Corporation accounts for investments in companies over which it has significant influence on an equity basis. Other long-term portfolio investments are accounted for by the cost method.

Petroleum and Natural Gas Properties

The Corporation follows the full cost method of accounting for oil and gas operations, whereby all costs of acquiring properties, exploring for and developing oil and gas and related reserves are capitalized in various cost centres. Such costs include land acquisition, drilling both productive and non-productive wells, overhead expenses and financing costs.

Depreciation and Depletion

Depreciation of plant and equipment other than that relating to petroleum and natural gas properties is based on the estimated useful life of the assets from commencement of production and is calculated on the straight-line or diminishing balance method as considered most appropriate.

Depreciation and depletion of cost centres with oil and gas producing properties is provided by the unit-of-production method based on the estimated proven recoverable reserves of each cost centre as determined by company engineers. Costs of non-producing properties in producing cost centres are being amortized on a straight-line basis over the anticipated period of exploration to each cost centre; if exploration proves to be successful, amortization is suspended and the unamortized balance is depleted on the unit-of-production basis.

Pre-Production Expenditures

Pre-production expenditures incurred in connection with major new production facilities are deferred and amortized from commencement of production on the straight-line basis over a period generally not exceeding ten years.

Goodwill

Goodwill arising from acquisitions to the end of 1973 is recorded as an asset without amortization. Goodwill arising on acquisitions subsequent to 1973 is being amortized over the expected period of benefit, not to exceed forty years. If it subsequently becomes apparent that the value expected to be obtained has not been realized, or if the value of the goodwill is reduced or deteriorates, it will be appropriately amortized or written down.

Income Taxes

Income taxes include withholding taxes on dividends received.

For the purpose of computing taxable income, legislation in Canada and certain other countries permits the deduction of certain items in amounts which differ from those charged in the financial statements. Income taxes in the consolidated statement of income include taxes deferred as a result of these timing differences as well as taxes currently payable.

The Corporation does not give recognition to the potential tax benefit of losses until those benefits are realized. Recurring tax benefits, when realized, are not considered to be extraordinary in nature and are reflected as reductions of current income taxes.

Consolidated Balance Sheet

Assets	December 31 1980	1979
	(thousands of dollars)	
Current Assets		
Cash	$ 21,425	$ 14,100
Short-term investments	348,423	196,483
Accounts receivable	470,293	392,033
Inventories (note 1)	438,653	395,347
Other current assets	7,653	8,125
	1,286,447	1,006,088
Long-Term Investments (note 2)	686,679	509,268
Fixed Assets (note 3)	1,311,883	1,149,229
Other Assets (note 4)	161,333	139,264
	$3,446,342	$2,803,849

Liabilities

Current Liabilities		
Short-term loans	$ 330,046	$ 233,836
Accounts payable and accrued liabilities	308,429	296,601
Dividends payable	8,931	4,333
Income and other taxes payable	7,763	7,099
Long-term debt due within one year	14,406	33,534
	669,575	575,403
Long-Term Debt (note 5)	609,340	539,840
Deferred Income Taxes	174,464	101,845
Interests Of Minority Shareholders (note 6)	673,984	734,428
	2,127,363	1,951,516

Shareholders' Equity

Capital Stock (note 7)	867,366	566,810
Retained Earnings	451,613	285,523
	1,318,979	852,333
	$3,446,342	$2,803,849

Approved on behalf of the Board,

M.J. Moreau, Director

H.A. Hampson, Director

Consolidated Statement of Income

	Year Ended December 31 1980	1979
	(thousands of dollars)	
Revenue (note 8)	**$2,359,220**	$2,014,912
Expenses		
Cost of sales	**1,792,869**	1,529,040
Selling, administration and research	**271,164**	225,792
Interest on long-term debt	**39,086**	37,563
Other interest	**38,750**	19,519
	2,141,869	1,811,914
	217,351	202,998
Equity in earnings of other companies	**102,256**	43,372
Income before the undernoted	**319,607**	246,370
Translation (gains) losses	**(9,074)**	18,739
Income taxes	**81,818**	63,693
Minority interest	**57,795**	40,568
	130,539	123,000
Net Income (note 10)	**$ 189,068**	$ 123,370
Earnings per common share after preferred share dividends	**$5.13**	$3.42
Fully diluted earnings per common share	**$3.52**	$2.45

Consolidated Statement of Retained Earnings

	Year Ended December 31 1980	1979
	(thousands of dollars)	
Retained Earnings At Beginning Of Year (note 10)	**$ 285,523**	$ 181,045
Net income	**189,068**	123,370
	474,591	304,415
Dividends on preferred shares	**21,795**	17,332
Amortization of cost of preferred share issues	**1,183**	1,560
	22,978	18,892
Retained Earnings At End Of Year	**$ 451,613**	$ 285,523

Consolidated Statement of Changes in Financial Position

	Year Ended December 31 1980	1979
	(thousands of dollars)	
Working Capital Derived From		
Operations		
Net income	$ 189,068	$ 123,370
Items not involving working capital		
Depreciation and depletion	69,555	65,148
Amortization	18,416	13,937
Increase in equity in other companies	(76,143)	(26,083)
Deferred income taxes	72,619	50,394
Minority interest	57,795	40,568
Cash flow from operations	331,310	267,334
Issues of long-term debt	179,807	114,442
Issues of capital stock	300,556	–
	$ 811,673	$ 381,776
Working Capital Applied To		
Investment in petroleum and natural gas properties	90,550	54,358
Net additions to other fixed assets	141,659	78,416
Investment in other companies	113,346	56,169
Dividends on preferred shares	21,795	17,332
Reduction of long-term debt	110,307	75,113
Additions to other assets	41,668	25,015
Net decrease in investment by minority shareholders	54,486	5,455
Dividends to minority shareholders	51,675	51,831
	625,486	363,689
Increase In Working Capital	186,187	18,087
Working Capital At Beginning Of Year	430,685	412,598
Working Capital At End Of Year	$ 616,872	$430,685

Notes to Consolidated Financial Statements

Year Ended December 31, 1980

1. Inventories

	1980	1979
	(thousands of dollars)	
Finished goods	**$233,869**	$197,378
Raw materials and work in progress	**166,875**	168,304
Operating and maintenance supplies	**37,909**	29,665
	$438,653	$395,347

2. Long-Term Investments

	1980	1979
	(thousands of dollars)	
Mining (Texasgulf Inc.)	**$565,209**	$457,774
Venture and expansion capital	**16,971**	26,269
Petrochemicals	**23,646**	20,916
Electronics	**38,254**	173
Fishing	**34,755**	—
Oil and gas	**4,107**	38
Life sciences	**3,737**	4,098
	$686,679	$509,268

Acquisitions

(i) Mining

During the year, the Corporation acquired an additional 429,090 common shares of Texasgulf Inc. for cash consideration of $22.5 million.

As at December 31, 1980, the Corporation owned 11,089,565 (33.17%) of the outstanding common shares of Texasgulf and 1,225,200 (49.63%) of the outstanding $3.00 convertible cumulative preferred Series A shares of Texasgulf. If all outstanding Texasgulf preferred shares were converted to common shares, the Corporation's ownership would be 34.9%. The quoted market value of the Corporation's shares of Texasgulf at December 31, 1980 was $924.6 million which, because of the number of shares owned, is not necessarily indicative of the amount which would be realized if the shares were to be sold.

(ii) Venture and expansion capital

The Corporation invested $12.2 million in venture and expansion capital. This consists primarily of investments in CanWest, Alberta Ventures Fund and TDC Technology.

(iii) Electronics

The Corporation invested $35.0 million in a convertible debenture of Lanier Business Products, Inc. the American distributor of AES equipment. If converted, this debenture would represent a 7.8% interest in that company. In addition, $5.0 million was invested in Delphax Systems, a joint venture developing new printer technology.

(iv) Fishing

The Corporation acquired a 40.8% interest in Fishery Products Limited of St. John's, Newfoundland by investing a total of $34.4 million in voting shares and debentures.

(v) Oil and gas

The Corporation purchased a 17.5% interest in Spectrum Oil & Gas Limited for $4.1 million.

3. Fixed Assets

	1980			1979
	(thousands of dollars)			
	Cost	Accumulated depreciation and depletion	Net	Net
Land, plant and equipment	**$1,388,503**	**$411,142**	**$ 977,361**	$ 890,028
Petroleum and natural gas properties	**403,837**	**69,315**	**334,522**	259,201
	$1,792,340	**$480,457**	**$1,311,883**	$1,149,229

4. Other Assets

	1980	1979
	(thousands of dollars)	
Long-term receivables	**$ 12,398**	$ 15,855
Pre-production and deferred expenses	**62,510**	52,772
Goodwill	**76,633**	64,390
Cost of long-term financings	**9,792**	6,247
	$161,333	$139,264

During the next five fiscal years, pre-production and deferred expenses and goodwill are expected to be amortized to income at the rate of $21.3 million annually.

5. Long-Term Debt

	1980	1979
	(thousands of dollars)	
Canada Development Corporation		
Income debentures, due 1984 (United States dollars)	$ 61,350	$ 61,350
4.375% Notes, due 1985 (Swiss francs)	153,988	153,988
Convertible subordinated debentures, due 1990	2,170	—
	217,508	215,338
CDC Data Systems Limited		
11.75% Mortgage, due 1986	1,388	1,398
Floating rate bank loan, secured	15,000	15,000
Floating rate term loans, (United States dollars)	—	3,964
Floating rate lease finance loan, due 1982	1,444	2,106
Other	960	1,490
	18,792	23,958
CDC Life Sciences Inc.		
8% Mortgages, repayable through 1997 (United States dollars)	4,461	4,642
3.875% Bank loan, due 1986 (Swiss francs)	8,527	8,527
9.25% Mortgage, repayable through 1985 (United States dollars)	2,827	2,933
6% to 10% Mortgages, repayable through 1985 (Danish kroner)	1,707	2,458
Floating rate loans, due 1981	2,542	2,368
Other	3,638	2,203
	23,702	23,131
CDC Oil & Gas Limited		
Floating rate multi-currency revolving line of credit, secured	79,541	—
5.75% Notes, due 1986 (Swiss francs)	36,115	—
Customer prepayments	10,800	5,356
Floating rate bank loans, secured	—	65,604
Floating rate bank loans, secured (United States dollars)	—	11,848
Other	1,607	—
	128,063	82,808
Polysar Limited		
7.5% Sinking fund debentures, repayable through 1987	6,979	7,177
9% Sinking fund debentures, repayable through 1993	29,470	30,641
In United States dollars		
10% Debentures, due 1982	28,959	29,763
9.5% Debentures, due 1986	50,613	50,613
Floating rate term loans, repayable 1980 through 1987	52,933	53,891
4.75% to 13.25% Notes and mortgages, repayable through 2003	12,016	6,872
Capitalized lease obligations, expiring through 1985	6,080	6,958
In other currencies		
7.5% Minimum rate loan (Swiss francs)	—	18,335
2.5% to 9% loans, repayable through 2004 (German marks)	7,747	2,893
Floating rate multi-currency term loan, due 1988	17,743	—
Capitalized lease obligations, expiring through 1988	2,409	2,383
Other	20,732	18,613
	235,681	228,139
	623,746	573,374
Less principal due within one year	14,406	33,534
	$609,340	$539,840

Long-term debt payable in foreign currency if converted into Canadian dollars on the basis of the exchange rates prevailing at December 31, 1980 would increase by approximately $46.2 million.

The total sinking fund requirements and long-term debt due in each of the next five fiscal years are as follows:

1981 — $14.4 million; 1982 — $40.0 million; 1983 — $16.8 million; 1984 — $78.5 million; 1985 — $173.3 million.

6. Interests of Minority Shareholders

	1980	1979
	(thousands of dollars)	
Preferred equity		
Petrosar		
Class A	**$390,000**	$425,000
Class B	**26,000**	22,880
Class C	**69,629**	69,629
Polysar		
First preferred	**50,000**	50,000
Polysar Holdings (a subsidiary)	**85,000**	85,000
CDC Life Sciences		
Connaught Laboratories (a subsidiary)	**30,000**	30,000
CDC Data Systems	**—**	35,019
	650,629	717,528
Common equity	**23,355**	16,900
	$673,984	$734,428

(i) Petrosar's Class A redeemable preference shares bear a cumulative dividend at an annual rate of 1.35% plus 52% of the Canadian bank prime rate. These shares are redeemable in the fiscal years through 1987 as follows:

1981 — $40 million; 1982 — $50 million; 1983 through 1987 — $60 million per annum.

Petrosar's 260,000 Class B preference shares are redeemable at their par value of $1 each only after dividends have been paid aggregating $100 per share plus 60 cents for each month that the shares have been outstanding.

The Class B shares are issued pursuant to an agreement whereby certain shareholders, including Polysar, have agreed to provide Petrosar with sufficient funds to enable it to pay the dividend on the Class A preference shares if Petrosar is unable to pay such dividends and to purchase these shares if not redeemed as scheduled. Polysar's portion of such obligation is 48%. The Corporation has guaranteed certain of Polysar's obligations under the financing arrangements, the amount guaranteed may vary but is limited to a maximum of $30 million.

Petrosar's Class C redeemable shares bear a cumulative dividend at an annual rate of 10.5% beginning February 1, 1981.

(ii) Polysar has outstanding $50 million 8.4% cumulative redeemable first preferred shares. Polysar is required during the 30-day period ending March 1, 1982, to invite tenders at $25 per share from the holders of these shares and to purchase on April 1, 1982 the shares so tendered.

Polysar Holdings' $85 million redeemable preferred shares bear a cumulative dividend of 1.25% plus one-half of the Canadian bank prime rate. Redemptions are required to be made in equal annual amounts from 1986 through 1988 inclusive.

(iii) Connaught Laboratories' $30 million redeemable preferred shares bear a cumulative dividend of 1% plus one-half of the Canadian bank prime rate. These shares are redeemable in equal annual amounts of $3 million from 1981 through 1986 inclusive, with the balance redeemable in 1987.

(iv) CDC Data Systems' preferred shares Series 3 and 4 were redeemed for $35 million in 1980.

7. Capital Stock

(i) Authorized

Preferred

$1,000,000,000 divided into shares with a par value in any multiple of $5 not exceeding $1,000 each.

Common

200,000,000 shares without par value

	1980	1979
	(thousands of dollars)	
ii) Issued and subscribed		
Preferred		
10,000,000 5¾% Cumulative, redeemable, non-voting Class A preferred shares of $10 each	**$100,000**	$100,000
1,381,914 8% Cumulative, redeemable, convertible, voting Class B preferred shares of $100 each (1979, 1,447,678 shares)	**138,191**	144,768
15,000,000 7.60% Cumulative, redeemable, convertible, voting 1980 preferred shares of $20 each	**300,000**	—
Common		
32,929,400 shares (1979, 32,161,336 shares)	**329,175**	322,042
	$867,366	$566,810

On March 5, 1981 all oustanding Class A preferred shares were redeemed.

The Class B preferred shares are redeemable at the option of the holder from October 2, 1985 through October 1, 1986, at par. They also became redeemable at the option of the Corporation commencing October 2, 1980 at $105 per share, reducing by $1 per year until October 2, 1985 when they become redeemable at $100 per share.

Each Class B preferred share may be converted at any time at the option of the holder into ten common shares.

The 1980 preferred shares are not redeemable before October 15, 1983. From October 15, 1983 to October 14, 1985 they are redeemable, at $21.20 per share, if the common shares trade for a specified period at not less than 125% of the conversion price of $15.75. From October 15, 1985 the 1980 preferred shares are redeemable at $21.20 per share reducing by 20¢ per year until October 15, 1990 when they become redeemable at

$20 per share. Each 1980 preferred share may be converted at any time at the option of the holder into 1.27 common shares.

At meetings of shareholders, holders of Class B preferred shares are entitled to ten votes per share and holders of the 1980 preferred and the common shares are entitled to one vote per share.

(iii) Issued and subscribed during the year

During the year, the Corporation issued 14,876,896 1980 preferred shares for cash of $297,537,920. From January 1, 1981 to March 1, 1981 the Corporation issued a further 123,104 1980 preferred shares, subscribed for under the instalment purchase plan, for cash of $2,462,080.

723,404 common shares were issued upon conversion of Class B preferred shares. 44,660 common shares were issued for an aggregate consideration of $555,375 in accordance with the shareholder dividend reinvestment and share purchase plan.

(iv) Common shares reserved

At December 31, 1980, common shares were reserved for issuance as follows:

Conversion of Class B preferred shares	13,819,140
Conversion of 1980 preferred shares	19,050,000
Bonus common shares	1,381,914
Shareholder dividend reinvestment and share purchase plan	1,955,340
Convertible subordinated debenture	176,428
	36,382,822

The Corporation issued 1,380,820 common shares as a result of an early distribution of the second bonus common share attached to the Class B preferred shares to their holders of record on Feburary 27, 1981.

8. Segmented Information

(i) Industry segments

The Corporation operates in the following industry segments

	Petro-chemicals	Mining*	Electronics	Life sciences	Oil and gas	Fishing*	Venture capital*	Consolidated
				(thousands of dollars)				
Sale of products and services	$1,886,046		$193,464	$162,530	$ 63,670			$2,305,710
Interest and other income								53,510
Total Revenue								$2,359,220
Segment operating profit	$ 202,951		$ 10,737	$ 4,391	$ 38,892			256,971
Corporate expenses								(15,294)
Interest expense								(77,836)
Equity in earnings (losses) of other companies	$ 2,435	$108,147	$ (2,038)	$ (3)		$ 750	$ (7,035)	102,256
Interest and other income								53,510
Translation gains								9,074
Income taxes								(81,818)
Minority interest								(57,795)
Net Income								$ 189,068
Identifiable assets	$1,752,078	$565,209	$230,178	$153,335	$377,457	$34,755	$16,971	3,129,983
Corporate assets								316,359
Total Assets								$3,446,342
Capital expenditures	$ 123,755		$ 11,764	$ 5,322	$ 90,550			
Depreciation, depletion and amortization	$ 57,320		$ 11,132	$ 3,866	$ 15,363			

* Segments represented by investments accounted for on the equity basis

ii) Geographic segments

The Corporation considers its three geographic segments to be Canada, the United States, and Europe and the rest of the world. Financial information with respect to these segments is as follows:

	Canada	United States	Europe and rest of world	Eliminations	Consolidated
			(thousands of dollars)		
Sale of products and services	$1,222,225	$335,141	$748,344		$2,305,710
Transfers between geographic segments	$ 301,363	$ 27,045	$ 13,205	(341,613)	—
Interest and other income					53,510
Total Revenue	$1,523,588	$362,186	$761,549		$2,359,220
Segment operating profit	$ 194,399	$ 6,688	$ 60,831	$ (4,947)	256,971
Corporate expenses					(15,294)
Interest expense					(77,836)
Interest and other income					53,510
Equity in earnings of other companies					102,256
Translation gains					9,074
Income taxes					(81,818)
Minority interest					(57,795)
Net Income					$ 189,068
Identifiable assets	$1,793,601	$254,279	$480,412	$ (84,988)	$2,443,304
Investments in other companies					686,679
					3,129,983
Corporate assets					316,359
					$3,446,342

Transfers between geographic segments are accounted for at prices comparable to open market prices.

Canadian operations include export sales of $227.7 million.

(iii) Research and development

Research and development expenditures charged to income amounted to $46.2 million (1979, $35.5 million).

9. Acquisitions

In addition to the acquisitions outlined in note 2, the Corporation acquired, through subsidiaries, the following:

(i) Petrochemicals

On March 14, 1980, Polysar acquired the carboxylated latex business of ARCO Polymers, Inc. of Monaco, Pennsylvania. On October 22, 1980, Polysar acquired 100% of the voting shares of Wolf GmbH, a plastics forming business in the Federal Republic of Germany and on December 1, 1980, the carboxylated latex facilities in Chattanooga, Tennessee of GAF Corporation were acquired. The results of operations of all investees have been included from their respective dates of acquisition.

The following net assets were acquired for cash through these acquisitions:

	(thousands of dollars)
Fair value of assets acquired:	
Net working capital	$ 9,069
Non-current assets	21,808
Long-term liabilities	(3,749)
	27,128
Goodwill	6,128
Total acquisition cost	$ 33,256

(ii) Electronics

During 1980, CDC Data Systems acquired shares of AES from management for a total consideration of $14.5 million. The Corporation invested a further $35 million in convertible preferred shares of AES which if converted would increase the Corporation's holdings of AES to 78.5%.

10. Changes in Accounting Practice

During the year, the Corporation adopted retroactively the following changes in accounting practice:

Texasgulf adopted the flow-through method of accounting for investment tax credits. Under this method, investment tax credits are reflected in net income in the period the qualifying investment is made, rather than amortizing the credit over the estimated life of the investment.

CDC Oil & Gas changed its application of the full cost method of accounting for oil and gas properties. This revision included the adoption of country-by-country cost centres, a change in the method of capitalizing overhead and financing expenses, and changes in the timing and methods of depleting undeveloped property costs.

As a result of these changes, the Corporation's reported net income and retained earnings have been increased as follows:

	Year ended December 31		*Cumulative Effect to December 31*
	1980	1979	1978
	(thousands of dollars)		
Texasgulf	**$ 6,150**	$ 778	$ 7,497
CDC Oil & Gas	**6,436**	9,577	9,474
	$12,586	$10,355	$16,971

11. Consolidated Subsidiary Companies

CDC Energy & Metals Limited
CDC Nederland B.V.

CDC Data Systems Limited
AES Data Limited
AES A.G.
AES GmbH.
AES Nederland B.V.
AES Schweiz A.G.
AES Wordplex Ltd.
AES Wordplex Europe Ltd.
Wordplex Corporation
Wordplex Leasing Ltd.

CDC Life Sciences Inc.
Bio-Research Laboratories Ltd.
Bio Resources Inc.
Canada Pharmacal Co. (1975) Limited
Comex Nederland B.V.
Comprator A.G.
Connaught Animal Health Inc.
Connaught Biologics Limited
Connaught Laboratories Inc.
Connaught Laboratories Limited
Connaught Laboratories (Export) Inc.
Connaught Laboratories (Ireland) Limited
Connaught do Brasil Industria e Comercio Limitada
OY Dumex AB
Dumex B.V.
A/S Dumex, Denmark
Dumex GmbH
Dumex Lakemedel AB
A/S Dumex, Norway
Dumex (Pty.) Ltd.
Maltex APS
Nordic Laboratories Inc.
Omnimedic Inc.
R.& L. Molecular Research Ltd.
Raylo Chemicals Limited
Steele Chemicals Co. Ltd.

CDC Oil & Gas Limited
CDC Minerals Limited
CDC Oil & Gas International B.V.
CDC Oil & Gas (U.K.) Limited
CDC Producing Company

CDC Ventures Inc.
CapVest Limited
Silver Lynx Investments Limited

Petrosar Limited

Polysar Limited
Bellaplast GmbH
Bellaplast Nederland B.V.
Bellaplast (UK) Limited
Comshare Limited (63%)
Komfortplast GmbH
Nippon Polymers Company Limited
Polysar Australia Pty. Ltd.
Polysar Belgium N.V.
Polysar Cayman Limited
Polysar de Venezuela S.A.
Polysar Deutschland GmbH
Polysar do Brasil Produtos Quimicos Ltda.
Polysar Europa S.A.
Polysar France
Polysar GmbH
Polysar Handelmaatschappij B.V.
Polysar Holdings Limited
Polysar Incorporated
Polysar International S.A.
Polysar Italiana S.P.A.
Polysar Latex, Inc.
Polysar Nederland B.V.
Polysar Skandinaviska A.B.
Polysar Technical Service Centre N.V.
Polysar (U.K.) Limited
Société Française Polysar
Synthetic Elastomers Development S.A.
Wolf GmbH

Ventek Limited

Auditors' Report

To the Shareholders of

CANADA DEVELOPMENT CORPORATION

We have examined the consolidated balance sheet of Canada Development Corporation as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes, with which we concur, in accounting practice as described in note 10, on a basis consistent with that of the preceding year.

Vancouver, Canada
March 12, 1981

THORNE RIDDELL
Chartered Accountants

Five-Year Consolidated Financial Summary

	1980	1979	1978	1977	1976
			(thousands of dollars)		
Revenue					
Sales of products and services	**$2,305,710**	$1,965,914	$1,342,129	$ 741,236	$ 595,557
Other income	**53,510**	48,998	23,343	15,278	13,755
	2,359,220	2,014,912	1,365,472	756,514	609,312
Expenses					
Cost of sales	**1,792,869**	1,529,040	1,087,451	579,966	471,751
Selling, administration and research	**271,164**	225,792	164,576	107,514	88,016
Interest on long-term debt	**39,086**	37,563	29,937	17,402	9,657
Other interest	**38,750**	19,519	16,731	10,056	8,533
	2,141,869	1,811,914	1,298,695	714,938	577,957
	217,351	202,998	66,777	41,576	31,355
Equity in earnings of other companies	**102,256**	43,372	14,353	13,371	14,067
Income before income taxes and other items	**319,607**	246,370	81,130	54,947	45,422
Translation (gains) losses	**(9,074)**	18,739	(10,455)	(6,825)	4,428
Income taxes	**81,818**	63,693	22,117	19,197	12,054
Minority interest in income of subsidiary companies	**57,795**	40,568	26,179	6,006	4,610
	130,539	123,000	37,841	18,378	21,092
	189,068	123,370	43,289	36,569	24,330
Unusual items				7,773	(320)
Net Income	**$ 189,068**	$ 123,370	$ 43,289	$ 28,796	$ 24,650
Earnings Per Common Share	**$5.13**	$3.42	$0.84	$0.37	$0.24

	1980	1979	1978	1977	1976
			(thousands of dollars)		
Cash flow from operations	**$ 331,310**	$ 267,334	$ 142,158	$ 94,305	$ 65,408
Other sources of funds	**480,363**	114,442	854,321	271,139	272,383
	$ 811,673	$ 381,776	$ 996,479	$ 365,444	$ 337,791
Investments	**$ 113,346**	$ 56,169	$ 18,654	$ 7,404	$ 47,621
Capital expenditures	**232,209**	132,774	102,207	305,096	294,540
Dividends on preferred shares	**21,795**	17,332	17,332	17,332	17,296
Dividends to minority shareholders	**51,675**	51,831	29,591	4,335	4,322
Other uses of funds	**206,461**	105,583	485,519	51,314	41,693
Changes in working capital	**186,187**	18,087	343,176	(20,037)	(67,681)
	$ 811,673	$ 381,776	$ 996,479	$ 365,444	$ 337,791
Working capital	**$ 616,872**	$ 430,685	$ 412,598	$ 69,422	$ 89,459
Working capital ratio	**1.9:1**	1.7:1	1.8:1	1.1:1	1.3:1
Fixed assets (net)	**1,311,883**	1,149,229	1,081,603	1,031,955	766,349
Long-term investments	**686,679**	509,268	420,926	404,584	403,769
Long-term debt	**609,340**	539,840	500,511	687,322	471,850
Debt/equity ratio	**0.5:1**	0.6:1	0.7:1	1.0:1	0.7:1
Deferred taxes	**174,464**	101,845	51,452	39,399	29,132
Preferred equity	**538,191**	244,768	244,780	244,780	244,781
Common equity	**780,788**	607,565	503,075	478,678	468,773
Return on common equity	**24.1%**	19.1%	5.3%	2.4%	1.6%
Total assets	**3,446,342**	2,803,849	2,559,457	2,078,347	1,592,677
Common shares outstanding at year-end	**32,929,400**	32,161,336	30,712,170	30,712,158	30,712,038

CDC Shares on the Stock Market

Common Shares
(Ticker symbol: CDC)

At the end of 1980, 2,217,410 CDC common shares were registered in the name of 13,564 Canadian citizens or residents according to the following distribution:

Location	Shareholders Number	%	Shares Number	%
British Columbia	2,077	15.3	192,344	8.7
Alberta	1,167	8.6	121,804	5.5
Saskatchewan	611	4.5	40,903	1.9
Manitoba	505	3.7	138,914	6.3
Ontario	7,008	51.7	1,470,933	66.3
Quebec	1,313	9.7	204,051	9.2
New Brunswick	307	2.3	15,543	0.7
Nova Scotia	382	2.8	22,781	1.0
Prince Edward Island	64	0.5	2,545	0.1
Newfoundland	52	0.4	2,607	0.1
Territories	17	0.1	2,471	0.1
Outside Canada	61	0.4	2,514	0.1
Total	**13,564**	**100.0**	**2,217,410**	**100.0**

Common share purchases through CDC's dividend reinvestment plans and some conversion of Class B preferred shares resulted in the number of common shares available for trading increasing during 1980 by 768,064 or 53.0%.

On February 28, 1981, CDC issued the second bonus common share to holders of Class B preferred shares. This share distribution increased the number of privately-held common shares by 1,380,820, or 62.2%.

In addition, the Government of Canada owns 30,711,990 common shares. After the distribution of the second bonus common share, this holding represents 89.5% of the total common shares outstanding and carries 48.6% of the votes at shareholder meetings.

During the year, 2,466,054 common shares were traded on the stock exchanges with prices on the Toronto Stock Exchange fluctuating as follows:

	High	Low	Close
4th quarter 1980	14⅜	12½	13¼
3rd quarter 1980	15	12¼	13
2nd quarter 1980	13½	11⅛	13
1st quarter 1980	15⅞	9⅜	12¼
Full year 1979	10½	7⅝	9½

CDC has not paid dividends on its common shares since their issuance.

Class B Preferred Shares
(Ticker symbol: CDC PrB)

At the end of 1980, 1,381,914 Class B preferred shares were held by 12,874 Canadian citizens or residents according to the following distribution:

Location	Shareholders Number	%	Shares Number	%
British Columbia	1,912	14.8	119,559	8.6
Alberta	1,055	8.2	76,404	5.5
Saskatchewan	587	4.6	23,155	1.7
Manitoba	464	3.6	122,281	8.9
Ontario	6,955	54.0	896,828	64.9
Quebec	1,139	8.9	115,928	8.4
New Brunswick	245	1.9	9,063	0.7
Nova Scotia	340	2.6	13,354	1.0
Prince Edward Island	57	0.4	1,733	0.1
Newfoundland	51	0.4	1,959	0.1
Territories	10	0.1	275	—
Outside Canada	59	0.5	1,375	0.1
Total	**12,874**	**100.0**	**1,381,914**	**100.0**

During the year, 531,444 Class B preferred shares were traded on the stock exchanges with prices on the Toronto Stock Exchange fluctuating as follows:

	High	Low	Close
4th quarter 1980	160	143	152
3rd quarter 1980	162	137¼	145½
2nd quarter 1980	144	128	143
1st quarter 1980	170	122	133
Full year 1979	138	102	122

A dividend of $2.00 per Class B preferred share is payable on the first of January, April, July and October. Each Class B share may be converted at any time at the holder's option into ten common shares. Class B preferred shares are redeemable at the option of the holder at the original issue price of $100 each from October 2, 1985 to October 1, 1986 or at the option of CDC at a price of $105 per share reducing by $1 per share on the second day of October in each year until October 2, 1985 when they become redeemable at $100 per share.

1980 Preferred Shares
(Ticker symbol: CDC 1980)

At the end of 1980, 14,876,896 CDC 1980 preferred shares were held by 21,252 Canadian citizens or residents according to the following distribution:

Location	Shareholders Number	%	Shares Number	%
British Columbia	4,422	20.8	2,001,131	13.5
Alberta	1,829	8.6	912,852	6.1
Saskatchewan	630	3.0	191,541	1.3
Manitoba	829	3.9	1,073,317	7.2
Ontario	9,660	45.4	8,264,222	55.5
Quebec	2,335	11.0	1,711,616	11.5
New Brunswick	640	3.0	329,623	2.2
Nova Scotia	742	3.5	336,817	2.3
Prince Edward Island	75	0.4	24,376	0.2
Newfoundland	73	0.3	25,601	0.2
Territories	8	0.1	2,200	—
Outside Canada	9	—	3,600	—
Total	**21,252**	**100.0**	**14,876,896**	**100.0**

CDC 1980 preferred shares began trading on Canadian stock exchanges on November 20, 1980. 588,133 1980 preferred shares traded in November and December at prices ranging between a high of 20⅞ and a low of 20⅛, closing on December 31, 1980 at 20½.

A dividend of 38¢ per 1980 preferred share is payable on the first of February, May, August and November. 1980 preferred shares are convertible at the option of the holder into CDC common shares until October 15, 1990 on the basis of 1.27 common shares for each 1980 preferred share converted; the effective conversion price is thus $15.75 per common share. 1980 preferred shares are redeemable at the option of CDC from October 15, 1985 at a price beginning at $21.20 per share and declining by 20¢ on the 15th day of each October until October 15, 1990 and thereafter when they are redeemable at par. Between October 15, 1983 and October 14, 1985, CDC has the right to redeem the 1980 preferred shares at $21.20 per share provided the current market price of the common shares is not less than $19.69 on the day that notice of such redemption is first given.

Dividend Reinvestment Plan

CDC operates a dividend reinvestment plan for the convenience of its shareholders. Under the Common Share Dividend Reinvestment Plan, preferred shareholders may use their dividends to purchase additional common shares at 95% of their average market value during the five trading days preceding the purchase. In addition, common and preferred shareholders may make cash contributions of up to $3,000 per calendar quarter for the purchase of common shares at average market value. These common shares are purchased from treasury and there are no brokerage fees or service charges in either case. The plan has been well received by CDC's shareholders, with 28.3% of the preferred shareholders reinvesting their dividends at year-end. Details on the plan are available from: The Secretary, Canada Development Corporation, Suite 2272, 200 Granville Street, Vancouver, British Columbia, V6C 1S4

Listing and Transfer Agent

CDC common and preferred shares are listed on all Canadian stock exchanges. Transfer Agent: National Trust Company, Limited at its principal offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal, and its agent, The Royal Trust Company, at its principal offices in Regina, Saint John, Charlottetown, Halifax and St. John's.

Distribution of Employees

At December 31, 1980, 58.3% of the 34,114 employees of CDC's subsidiary and affiliated companies were engaged in manufacturing, 25.4% in services and 16.3% in resources development. Reflecting CDC's policy that its companies should be world leaders in their fields, there are employees or distributors in some 60 countries. By far the greatest number of employees — 20,435 — is in Canada.

Glossary of Financial Terms

Amortization
Spreading a large expenditure proportionately over a fixed period of time.

Asset
Anything of value owned by a company or individual.

Balance sheet
Statement of the financial worth of a business or organization which is divided into three parts — assets, liabilities and ownership (equity).

Capital
1. What is owned by a company or individual minus what is owed at a specific time. 2. Total investments of owners (shareholders) of a business at a given time, which may be calculated by subtracting from the total assets all the liabilities of those other than the owners.

Capital asset
Assets of either a tangible or intangible nature which are expected to be used or held over several fiscal periods (not including stock for sale).

Capital expenditure*
An expenditure to acquire or add to a capital asset; an expenditure yielding enduring benefits.

Cash flow*
The figure resulting from adding back to income items that do not affect working capital, such as depreciation and amortization.

Consolidation
A parent plus one or more subsidiary companies which present financial reports for the group as a whole, not as separate entities. CDC consolidates the results of all companies in which it holds at least a 50% interest.

Corporation
Legal entity or corporate person with authority to operate under provincial or federal statutes, usually formed to make a profit. Owners are liable for the debts only up to the amount of their investment.

Current liability*
A liabiliity whose regular and ordinary liquidation is expected to occur within one year or within the normal operating cycle where that is longer than a year.

Deferred income taxes*
The accumulated amounts by which income taxes charged in the accounts have been increased (accumulated tax allocation credit) or decreased (accumulated tax allocation debit) as a result of timing differences.

Depletion
Gradual using up of consumption of a natural resource, recorded in the accounts.

Depreciation
Gradual reduction of the cost of a fixed asset and gradual application of this cost to the expense of a business over the useful life of the asset.

Dividend
Distribution to shareholders of a portion of the profits of the company.

Dividend coverage ratio*
The ratio of the net income to dividends.

Earnings per share*
The portion of income for a period attributable to a share of issued capital of a corporation. The calculation of earnings per share is relevant only with respect to shares whose rights to participate in the earnings have no upper limit.

Equity
1. A right or claim to the assets of a company. Both the owners and creditors have equity in a business. 2. Amount that a business is worth beyond what it owes.

Expenditure
1. Spending. 2. Incurring a liability.

Fixed asset
Property or equipment of a tangible nature owned by a business for use in its operations (not for sale), which is expected to have a useful life of several fiscal periods.

Fully diluted earnings per share**
CDC has issued two types of preferred shares — the Class B and 1980 preferred shares — that are convertible into common shares. Fully diluted earnings per share are calculated by assuming that all convertible shares are converted into common shares.

Income
Difference between total revenue and total expense of a business for a given period.

Inventory
Detailed list of items and their values owned at a specific point in time.

Investment
Funds committed to something tangible or intangible in order to receive a return either in income or use.

Liability
1. An amount owed to another, not necessarily due to be paid immediately. 2. An obligation to remit money or services at a future date.

Long-term liability*
A liability which, in the ordinary course of business, will not be liquidated within one year or within the normal operating cycle where that is longer than a year.

Minority interest*
1. The equity of the shareholders who do not hold controlling interest in a controlled company. 2. In consolidated financial statements, the equity in subsidiaries that is applicable to shares that are not owned by the parent company or by a consolidated subsidiary company.

Par value*
The nominal or face value of a security.

Profit
Total revenue less total expenditures for a period of time calculated in accordance with generally accepted accounting principles.

Redemption*
The purchase of securities by the issuer at a time and price stipulated in the terms of the securities.

Retained earnings
Portion of a company's aggregate income since incorporation which remains invested in the operation after distribution of dividends to shareholders.

Revenue
Inflow of cash or receivables from customers or clients in return for goods, services, or interest on investments.

Subsidiary
Company which is controlled by another company usually through its ownership of the majority of shares.

Working capital*
The excess of current assets over current liabilities.

Write-off
(verb) To transfer an item which was considered an asset to an expense account; for example, to transfer an uncollectible account receivable to bad debts expense.
(noun) The item or amount reduced or cancelled.

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Corporate Information

HONORARY CHAIRMAN AND DIRECTOR EMERITUS

A. John Ellis
Chairman of the Board of the Corporation
(to February 28, 1981)
Vancouver, British Columbia

BOARD OF DIRECTORS

Philippe de Gaspé Beaubien†
Chairman and Chief Executive Officer
Télémedia Communications Ltée
Montreal, Quebec

Laurent Beaudoin‡
Chairman and Chief Executive Officer
Bombardier Inc.
Montreal, Quebec

Pierre Côté‡
Chairman
Celanese Canada Inc.
Montreal, Quebec

J.P. Gallagher‡
Chairman of the Board and Chief Executive Officer
Dome Petroleum Limited
Calgary, Alberta

H. Anthony Hampson‡
President and Chief Executive Officer of the Corporation
Toronto, Ontario

Gordon F. Hughes†
President and General Manager
Ocean Company Limited
Windsor, Nova Scotia

Douglas N. Kendall‡
Chairman
Enterprise Development Board
Toronto, Ontario

Murray B. Koffler†
Chairman of the Board and Chief Executive Officer
Koffler Stores Limited
Willowdale, Ontario

Mrs. Mary Lamontagne*
Corporate Director
Quebec, Quebec

Sydney Maislin
Vice Chairman of the Board and Chief Executive Officer
Maislin Industries Ltd.
Lasalle, Quebec

Hugh A. Martin
(to December 31, 1980)
President
Western Construction and Engineering Research Ltd.
Vancouver, British Columbia

W.C.Y. McGregor*
National President
Brotherhood of Railway, Airline and Steamship Clerks
Montreal, Quebec

Maurice J. Moreau*
Executive Vice President and Chief Operating Officer
Eldorado Nuclear Limited
Ottawa, Ontario

Frederick W. Sellers‡
President
Dionian Industries Ltd.
Chairman
Spiroll Corporation Limited
Winnipeg, Manitoba

J.N. Turvey*
Chairman
Interprovincial Steel and Pipe Corporation Ltd.
Vancouver, British Columbia

Dr. Catherine T. Wallace
Chairman
Maritime Provinces Higher Education Commission
Fredericton, New Brunswick

Allan F. Waters*†
President
CHUM Limited
Toronto, Ontario

Dr. Grant L. Reuber‡
(to March 24, 1980)
Ian A. Stewart‡
(from March 25, 1980)
ex-officio
Deputy Minister of Finance
Ottawa, Ontario

Marshall A. Cohen
(to March 24, 1980)
Robert Johnstone
(from March 25, 1980)
Deputy Minister of Industry, Trade and Commerce
Ottawa, Ontario

* Member of Audit Committee
† Member of Communications Committee
‡ Member of Executive Committee

OFFICERS

A. John Ellis
(to February 28, 1981)
Frederick W. Sellers
(from March 1, 1981)
Chairman of the Board

Pierre Côté
Vice Chairman of the Board

H. Anthony Hampson
President and Chief Executive Officer

Serge Gouin
Executive Vice President

John B. Hague
Executive Vice President

Peter K. Powell
(to August 14, 1980)
Executive Vice President, Finance and Administration

Claude R. Marchand
Senior Vice President and Secretary

Jerry W. Bliley
Vice President

James D. Ellis
Vice President

Nigel G.D. Gray
Vice President and General Counsel

Brian M. King
Vice President

Gerald T. McGoey
Vice President and Controller

James M. O'Reilly
Vice President and Treasurer

CDC canada development corporation

Canadians working together to build a stronger Canada

PRINTED IN CANADA BY LAWSON GRAPHICS PACIFIC LIMITED

Une copie du prospectus en français est disponible sur demande.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may lawfully be offered for sale.

New Issue

AR52

CDC canada development corporation

$300,000,000

(15,000,000 shares)(1)

7.60% Cumulative Redeemable Convertible Voting Preferred Shares, 1980 Issue

(par value $20 per share)

The 1980 Preferred Shares will be entitled to fixed cumulative preferential cash dividends at the rate of 7.60% per share per annum ($1.52) accruing from the date of issue and payable quarterly commencing the first day of February, 1981. The attributes of the 1980 Preferred Shares are summarized under "Details of the Offering". The 1980 Preferred Shares may be acquired under the Instalment Purchase Plan.

Conversion Privilege

The 1980 Preferred Shares will be convertible at the option of the holder into Common Shares of CDC at any time on or before the earlier of October 15, 1990 and the third business day preceding the date fixed for redemption, on the basis of 1.27 Common Shares for each 1980 Preferred Share converted, being a conversion price of $15.75 per Common Share, subject to adjustment in certain events.

In the opinion of counsel, the 1980 Preferred Shares will qualify for investment under certain statutes as set out under "Eligibility for Investment".

Applications have been made to list the 1980 Preferred Shares on all stock exchanges in Canada. Acceptance of the listings will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

The 1980 Preferred Shares are not guaranteed in any manner by the Government of Canada, nor has the Government any direct or indirect obligation with respect to them.

Price: $20 per share

	Price to public	Commission(1)	Proceeds to CDC(1)(2)
Per share....................	$20.00	$0.72	$19.28
Total........................	$300,000,000	$10,800,000	$289,200,000

(1) In the event of cancellations of subscriptions under the Instalment Purchase Plan, the number of 1980 Preferred Shares sold and the total commission and total proceeds will be reduced. Reference is made to "Instalment Purchase Plan" and "Plan of Distribution".

(2) Before deducting expenses of issue estimated at $850,000.

We conditionally offer these 1980 Preferred Shares if, as and when issued by CDC and accepted in accordance with the conditions contained in the underwriting and agency agreement referred to under "Plan of Distribution". The 1980 Preferred Shares are offered by us as agents to purchasers under the Instalment Purchase Plan described herein and 1980 Preferred Shares not subscribed for under the Instalment Purchase Plan are being offered by us as principals as more fully described under "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates for the 1980 Preferred Shares purchased from us as principals will be available for delivery on October 15, 1980.

McLEOD YOUNG WEIR LIMITED

TORONTO MONTREAL VANCOUVER WINNIPEG CALGARY EDMONTON OTTAWA HAMILTON LONDON KITCHENER
QUEBEC WINDSOR HALIFAX REGINA VICTORIA SHERBROOKE KINGSTON SAINT JOHN CHICOUTIMI ST. JOHN'S
NEW YORK LONDON ZURICH

September 17, 1980

PROSPECTUS SUMMARY

The Offering

Issue: 7.60% Cumulative Redeemable Convertible Voting Preferred Shares, 1980 Issue.

Amount: $300,000,000 (15,000,000 1980 Preferred Shares).

Price: $20 per 1980 Preferred Share.

Dividends: $1.52 per annum, payable quarterly on the first day of February, May, August and November. The initial dividend will be payable on February 1, 1981. Dividends will accrue from the date of issue.

Conversion Privilege: Convertible at the option of the holder into Common Shares of CDC at any time on or before the earlier of October 15, 1990 and the third business day preceding the date fixed for redemption on the basis of 1.27 Common Shares for each 1980 Preferred Share converted, being a conversion price of $15.75 per Common Share, subject to adjustment in certain events.

Redemption: Not redeemable before October 15, 1983. Redeemable on or after October 15, 1983 and before October 15, 1985 only if the Common Shares of CDC trade for a specified period at not less than 125% of the conversion price. Redeemable at an initial redemption price of $21.20 per 1980 Preferred Share before October 15, 1985 and thereafter at prices declining to par by October 15, 1990.

Purchase Obligation: Commencing January 1, 1991, CDC will make all reasonable efforts to purchase in each calendar quarter 1% of the number of 1980 Preferred Shares outstanding at the close of business on October 15, 1990 at a price not exceeding $20 per share.

Priority: The 1980 Preferred Shares will rank junior to the outstanding Class A Preferred Shares and pari passu with the outstanding Class B Preferred Shares. Additional preferred shares ranking prior to or pari passu with the 1980 Preferred Shares may be created, issued or sold by CDC without the approval of the holders of 1980 Preferred Shares.

Voting: One vote per 1980 Preferred Share.

Instalment Purchase Plan: The 1980 Preferred Shares may be acquired through the Instalment Purchase Plan which gives subscribers the opportunity to purchase 25, 50, 100 or 200 of such shares on an instalment basis by an initial payment of 20% of the subscription price and five subsequent equal monthly instalments. No more than one subscription under the Plan is available to each subscriber and such subscriptions are not transferable.

Restrictions on Share Ownership: Ownership of voting shares of CDC is restricted by law to Canadian citizens or residents of Canada.

Earnings Coverage: Consolidated net income of CDC for the 12 months ended June 30, 1980 was 3.79 times the annual dividends on the preferred shares of CDC to be outstanding after this issue, and 2.04 times or 2.25 times the aggregate annual interest and dividend requirements on the long-term debt and preferred shares of CDC and its subsidiaries depending upon the respective calculations set out under "Earnings Coverage".

Asset Coverage: As at June 30, 1980 and after giving effect to the issue of the 1980 Preferred Shares, consolidated net tangible assets after deducting deferred income taxes are 2.07 times the aggregate par value of all preferred shares of CDC to be outstanding and 1.32 times the aggregate of the long-term debt, minority interests and preferred shares of CDC and its subsidiaries.

Canada Development Corporation

CDC invests in growth industries, especially in the resource, manufacturing and high-technology sectors of the economy, with a view to the long-term appreciation of shareholders' capital. In doing so, CDC believes it best meets its legislative mandate of developing and maintaining strong, Canadian controlled and managed corporations in the private sector of the economy and widening the investment opportunities open to Canadians. CDC now has investments in petrochemicals, mining and agricultural chemicals, oil and gas, fisheries, life sciences, electronics and venture and expansion capital.

PROSPECTUS SUMMARY

Selected Consolidated Financial Statistics

	Six months ended June 30 (unaudited)		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
			(millions except per share amounts)				
Revenues	$1,124	$ 941	$2,015	$1,365	$ 757	$ 609	$ 511
Net income	89	51	114	37	26	24	25
Total assets	2,944	2,619	2,776	2,545	2,073	1,591	1,275
Long-term debt	566	515	540	501	687	472	254
Minority interest	701	740	734	746	147	103	73
Common shareholders' equity	671	535	589	494	475	468	463
Per common share							
—earnings	$ 2.48	$ 1.38	$ 3.11	$ 0.65	$ 0.29	$ 0.21	$ 0.54
—earnings (fully diluted)	1.79	1.01	2.25				
—equity (fully diluted)	16.90	14.15	15.25	13.28	12.89	12.74	12.64

This is a summary only and more detailed information is found elsewhere in this prospectus.

Table of Contents

Canada Development Corporation

Canada Development Corporation ("CDC") was incorporated by an Act of the Parliament of Canada (the "Act" or the "CDC Act") which came into force on November 18, 1971. CDC is governed by the Act and by certain provisions of the Canada Corporations Act. CDC will not be required to continue under the Canada Business Corporations Act. The head office of CDC is located at 200 Granville Street, Vancouver, British Columbia, V6C 1S4 and operating offices are located at the head office and at 444 Yonge Street, Toronto, Ontario, M5B 2H4.

The principal objectives of CDC, as set out in the Act, are to develop and maintain strong, Canadian controlled and managed corporations in the private sector of the economy, to widen the investment opportunities open to Canadians and to operate profitably and in the best interests of all its shareholders.

Operations

CDC is primarily an equity investor, making significant investments in companies which it believes offer potential for earnings growth and capital appreciation over the longer term. Unique or innovative business ventures in resources, secondary manufacturing and high-technology industries are of particular interest. CDC emphasizes large, long-range or high-technology projects, particularly those which involve an upgrading of resources or good potential for building up a globally competitive Canadian controlled presence in international markets, or where investment opportunities open to Canadians are limited. CDC recognizes that such projects may provide some of its best and most profitable investment opportunities because others may be unwilling or unable to provide the funds required or to wait until earnings have built up. The potential of achieving a superior long-term rate of growth and return on equity to reflect the time and risk involved is a prerequisite for CDC participation in such projects.

CDC invests selectively and concentrates its assets primarily in fields which it considers to have high potential rewards. In this way CDC enables Canadian investors, who alone can own its voting shares, to widen their participation in investments which will play a part in increasing Canadian ownership and control of resources in the private sector of the economy.

CDC takes an active role in the policy and development of the companies in which it invests. It is generally the intention to be in a position to exercise effective control of those companies. CDC, however, does not normally participate in the day-to-day management of those companies, believing they should have their own skilled staffs and specialized operating personnel. The role of CDC, through membership on the boards and executive committees of those companies, is to participate actively in business policy, strategy, development and long-range planning so that such companies will remain innovative and growth-oriented. Attention also centres on the maintenance of appropriate financial controls, good management development policies and broad research and innovation strategies.

CDC has investments in the following industries: petrochemicals; mining and agricultural chemicals; oil and gas; pharmaceuticals, biologicals and other services relating to life sciences; fisheries; electronics and venture and expansion capital.

Share Ownership

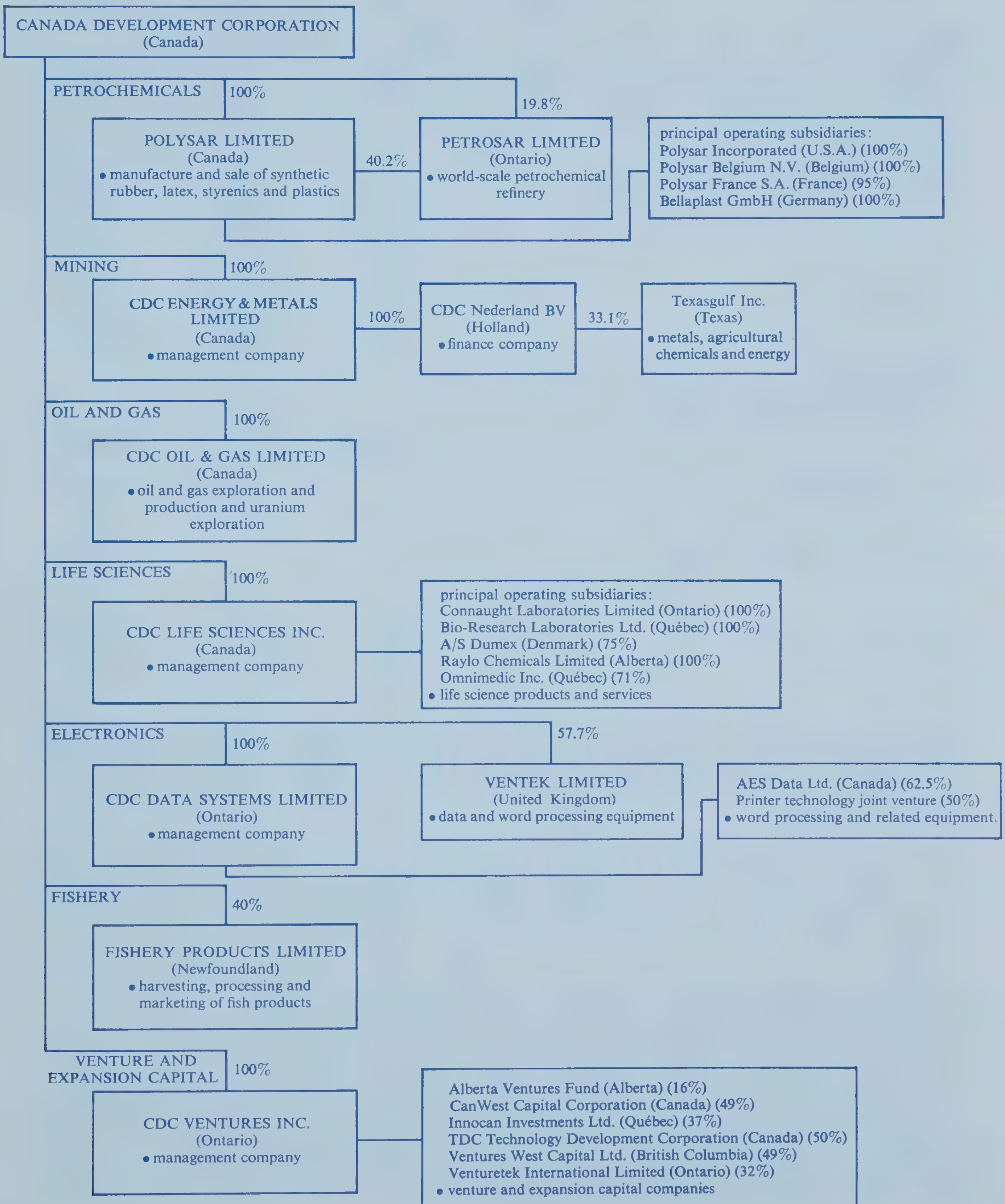
The Government of Canada holds 30,711,990 Common Shares of CDC which carry 65.8% of the voting rights attaching to all voting shares outstanding on September 2, 1980. The balance of the voting rights are carried by the remaining 1,797,464 outstanding Common Shares and the 1,418,990 outstanding Class B Preferred Shares which are held by the public. After the issue of the 1980 Preferred Shares and after giving effect to the issue of bonus Common Shares to the holders of the Class B Preferred Shares, the percentage of voting rights attributable to the Government's holding will be reduced to 48.7% and assuming full conversion of such 1980 Preferred Shares will be further reduced to 45.7%. Under the Act, the Government shall endeavour to maintain its ownership of voting shares at 10%.

The Act enables CDC to increase the percentage of voting shares held by the Canadian public by redeeming at net asset value (computed on the basis of then current values as provided for in the Act) Common Shares held by the Government in excess of 10% of the outstanding voting shares. However, the board of directors of CDC does not intend to use the resources of CDC for this purpose but rather to allow the Government's ownership to decline through new issues of voting shares to the public.

CDC is not a Crown Corporation. CDC's securities are not guaranteed in any manner by the Government of Canada, nor has the Government any direct or indirect obligation with respect to them.

Corporate Organization

The following chart outlines intercorporate relationships of CDC and its principal operating subsidiaries and associated companies, including the percentage of direct voting share ownership and jurisdiction of incorporation:



Consolidated Capitalization

	Authorized	Outstanding as at June 30, 1980	Outstanding as at July 31, 1980	Outstanding as at July 31, 1980 after giving effect to this issue
		(currency amounts in thousands)		
LONG-TERM DEBT(1)				
CDC:				
$4\frac{3}{8}\%$ notes due 1985	SFr.250,000	\$153,988	\$153,988	\$ 153,988
Income debentures due 1984(2)	U.S.\$60,000	61,350	61,350	61,350
Convertible subordinated debentures due 1990(3)	\$2,470	2,470	2,470	2,470
Subsidiaries(4):				
CDC Data Systems Limited	—	22,163	22,163	22,163
CDC Life Sciences Inc.	—	23,411	23,411	23,411
CDC Oil & Gas Limited	—	105,617	105,617	105,617
Polysar Limited	—	230,625	230,625	230,625
		\$599,624	\$599,624	\$ 599,624
MINORITY INTEREST(5)				
Preferred shares	—	\$685,629	\$685,629	\$ 685,629
Common shares and equity	—	15,368	15,368	15,368
		\$700,997	\$700,997	\$ 700,997
SHAREHOLDERS' EQUITY				
Preferred shares(6)	\$1,000,000			
$5\frac{3}{4}\%$ Cumulative Redeemable Non-Voting Class A Preferred Shares of the par value of \$10 each (7)	10,000,000 shs. \$100,000	10,000,000 shs. \$100,000	10,000,000 shs. \$100,000	10,000,000 shs. \$ 100,000
8% Cumulative Redeemable Convertible Voting Class B Preferred Shares of the par value of \$100 each	1,447,817 shs. \$144,782	1,421,799 shs. \$142,180	1,421,539 shs. \$142,154	1,421,539 shs. \$ 142,154
7.60% Cumulative Redeemable Convertible Voting Preferred Shares, 1980 Issue of the par value of \$20 each (this issue)(8)	15,000,000 shs. \$300,000	—	—	15,000,000 shs. \$ 300,000
Common shares(9)	200,000,000 shs.	32,465,329 shs. \$324,940	32,478,089 shs. \$325,008	32,478,089 shs. \$ 325,008
Retained earnings(10)	—	\$346,150	\$346,150	\$ 346,150
		\$913,270	\$913,312	\$1,213,312

NOTES:

1. Reference is made to Note 5 to the Consolidated Financial Statements for particulars of foreign currency liabilities which at June 30, 1980 aggregated \$215,338,000 in the case of CDC and \$315,821,000 in the case of its subsidiaries. These liabilities have been converted to Canadian dollars at the rates of exchange prevailing when the liabilities were incurred except for the current portion of such liabilities which has been converted at the rates prevailing on June 30, 1980. If the rates of exchange prevailing on June 30, 1980 had been used throughout, foreign currency liabilities as at that date would in the aggregate have been increased by approximately \$51.3 million.
2. These debentures bear interest at the rate of 5% per annum until February 15, 1982, and thereafter at a floating rate equal to 2% over one half of the United States Base Lending Rate of a Canadian chartered bank. They may be redeemed at the option of CDC on 60 days' notice at any time from February 15, 1982 until maturity.
3. These debentures bear interest at a variable rate equal to the prime rate of a Canadian chartered bank and are convertible at the option of the holders into an aggregate of 176,428 Common Shares. Reference is made to "Ownership of Securities".
4. Reference is made to Note 5 to the Consolidated Financial Statements for particulars of the long-term debt of subsidiaries.
5. Reference is made to Note 6 to the Consolidated Financial Statements. The amounts shown for minority interest are as at June 30, 1980.
6. The 1980 Preferred Shares rank junior to the outstanding Class A Preferred Shares and pari passu with the outstanding Class B Preferred Shares. Reference is made to "Capital Stock" for particulars of preferred share capital.
7. Class A Preferred Shares are redeemable on or after March 5, 1981 at the option of either CDC or any holder at par plus all accrued and unpaid dividends. CDC expects that all these shares will be redeemed on March 5, 1981.
8. The number of 1980 Preferred Shares to be issued by CDC will vary if subscribers for 1980 Preferred Shares under the Instalment Purchase Plan cancel their subscriptions, as described under "Plan of Distribution" and "Instalment Purchase Plan".
9. At June 30, 1980, 14,217,990 Common Shares were reserved for issue upon conversion of the outstanding Class B Preferred Shares and 1,421,799 Common Shares were reserved for issue to holders of Class B Preferred Shares as bonus Common Shares. A further 1,980,676 Common Shares were reserved for issue pursuant to the Dividend Reinvestment and Share Purchase Plan as described under "Dividend Reinvestment and Share Purchase Plan" and 176,428 Common Shares were reserved for issue upon conversion of the convertible subordinated debentures as described under "Ownership of Securities".
10. The amounts shown for retained earnings are as at June 30, 1980.

Use of Proceeds

The estimated net proceeds to be derived by CDC from the sale of the 1980 Preferred Shares offered hereby will amount to $288,350,000 after deducting the expenses of the issue estimated at $850,000. These net proceeds will decrease to the extent that purchasers under the Instalment Purchase Plan elect to cancel their subscriptions prior to completion as described under "Instalment Purchase Plan".

The net proceeds of this offering will initially be invested in short-term securities and will be available for long-term investments in accordance with CDC's investment policies, either for new investments or for additional investments in present holdings. Management considers it to be in the best interests of CDC to raise additional funds at this time, through the sale of the 1980 Preferred Shares offered hereby, in anticipation of possible investments rather than be required to arrange the necessary financing at the time a particular investment is made. To the extent that the proceeds are not used for such long-term investments, they will be available to satisfy, in whole or in part, the redemption of the presently outstanding $100 million Class A Preferred Shares which are redeemable on or after March 5, 1981, at the option of the holders or of CDC.

Description of Investments

Petrochemicals

Polysar Limited

Polysar Limited ("Polysar") is engaged, directly and through subsidiaries located in Canada, the United States and Europe, in the production of synthetic rubber, latex and basic materials for the chemical industry including styrene and polystyrene and is also engaged in plastics forming. In addition, Polysar and CDC, together, have the majority equity interest in Petrosar Limited ("Petrosar") which supplies a substantial portion of the petrochemical feedstocks required for the North American operations of Polysar.

The following table sets forth revenues by product category and net income of Polysar for the periods indicated:

	Six months ended June 30		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
				(millions)			
Revenues:							
Rubber	$322	$309	$612	$465	$354	$291	$246
Latex	81	68	140	102	77	67	69
Plastics and chemicals	172	144	291	213	154	105	87
Other	5	10	24	27	24	26	19
Total revenues	$580	$531	$1,067	$807	$609	$489	$421
Net income before equity in loss of Petrosar	$46.6	$40.6	$80.2	$28.5	$14.4	$7.5	$1.6
Equity in loss of Petrosar after provision for payment of Petrosar dividends	(0.9)	(5.3)	(6.2)	(10.0)	—	—	—
Net income	$45.7	$35.3	$74.0	$18.5	$14.4	$7.5	$1.6

The following table sets forth revenues of Polysar by major market areas for the periods indicated:

	Six months ended June 30		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
				(millions)			
Revenues:							
Canada	$106	$103	$217	$163	$129	$119	$ 95
United States	156	145	285	249	194	136	103
Europe	244	223	447	322	232	188	184
Other	74	60	118	73	54	46	39
Total revenues	$580	$531	$1,067	$807	$609	$489	$421

Polysar is the only producer of synthetic rubber in Canada and has about 7% of the total world market (excluding Eastern Europe and China) in which the largest competitor has about 11%. Production facilities include plants in Sarnia, Canada; Strasbourg, France; Antwerp, Belgium; and custom compounding plants in Barberton, Ohio and East Brunswick, New Jersey. Approximately 50% of Polysar's total synthetic rubbers production capacity is located at its facility in Sarnia. The three major rubber product sectors are emulsion. butyl and polybutadiene rubbers. Emulsion rubbers make up about 50% of total rubber sales, with general purpose rubbers which constitute over half of this sector being sold primarily to the tire industry which is dominated by relatively few major producers. The balance of emulsion rubber production is used in other automotive and industrial applications. Polysar is the second largest producer in the world of butyl rubbers which account for approximately 33% of its total rubber sales and are used principally for inner tubes and linings for tires. As an independent producer of general purpose and butyl rubbers, Polysar faces competition in North America from large integrated producers which are affiliated with tire or oil companies and which benefit from captive markets. Expansion of butyl production facilities in Antwerp was completed in 1979 and expansion of similar facilities at Sarnia is scheduled for completion in 1982 at an estimated cost of $250 million. Polysar's polybutadiene rubbers are used primarily in high impact plastics and make up the remainder of total rubber sales. Polysar has a 40% equity interest in Hules Mexicanos S.A. which has facilities for the production of general purpose rubber and carbon black located at Tampico, Mexico. Pemex, the Mexican state oil company, holds the 60% majority interest.

Latex, which is produced by Polysar at plants in Sarnia, the United States and France, is similar to synthetic rubber in some respects and is derived from the same raw materials. It is sold primarily to the carpet, upholstery and paper-coating industries.

Polystyrene resins which are used in plastics forming are produced by Polysar at three plants in the United States and one plant in Canada. Chemical sales consist mainly of styrene from Polysar's world-scale styrene monomer plant at Sarnia which commenced commercial production in 1977. Approximately 50% of styrene produced is consumed internally by Polysar in the production of rubber, latex and plastics.

Plastics forming operations are centred around Bellaplast GmbH, in the Federal Republic of Germany, which has equity holdings in plastics converters in Switzerland, France and Spain. Bellaplast produces plastic cups, containers and other packaging products primarily for the food industry, which are marketed throughout Western Europe. The North American plastics forming operations of Polysar were sold in 1979.

Hydrocarbons, mainly derived from crude oil, accounted for approximately 67% of Polysar's cost of sales in 1979. All of the hydrocarbons required for Polysar's European plants are purchased at prevailing market prices which are related to international crude oil prices, and it competes successfully from those plants. In North America, a substantial portion of the petrochemical feedstocks required by Polysar is purchased from Petrosar under long-term contracts at prices related to Petrosar's cost of production which includes crude oil at the Canadian domestic price. This arrangement ensures Polysar of a secure source of supply and currently provides it with a feedstock cost advantage. This advantage would be reduced to the extent of any narrowing of the differential between Canadian domestic crude oil prices and the average cost of crude oil and other feedstocks to refineries in the United States.

Petrosar Limited

Petrosar owns and operates North America's first integrated, world-scale petrochemical refinery complex located near Sarnia, Ontario. Petrosar was incorporated in April, 1974 and commenced commercial production on April 1, 1978. Polysar owns 40.2% of Petrosar's common shares, Du Pont Canada Inc. and Union Carbide Canada Limited each own 20% and CDC owns 19.8%.

The following table sets forth certain financial information with respect to Petrosar for the periods indicated:

	Six months ended June 30		Year ended December 31	Nine months ended December 31
	1980	1979	1979	1978
	(thousands)			
Sales	$398,149	$328,259	$687,154	$401,052
Net income (loss)	$ 18,184	$ 2,281	$ 17,124	$ (800)
Less dividends applicable to Class A preference shares	19,724	16,711	35,334	24,340
Net income (loss) attributable to common shareholders after dividends applicable to Class A preference shares	$ (1,540)	$ (14,430)	$ (18,210)	$ (25,140)

Petrosar produces a broad range of primary petrochemical products which are essential to the downstream operations of its shareholders and certain other petrochemical producers. The Petrosar plant was originally designed to process 170,000 barrels per day of western Canadian crude oil to produce 55,000 barrels of naphtha and 125,000 barrels of fuel products. As a result of a feedstock rationalization program, the feedstock requirements have been reduced to about 120,000 barrels of crude oil and condensates per day to produce the full quantity of naphtha and about 55,000 barrels of fuel products per day. The naphtha is further processed into some 2.8 billion pounds per year of primary petrochemicals which include ethylene, propylene, benzene, a toluene xylene mixture, isobutylene and butadiene. All of the ethylene, most of the other petrochemical products and residual fuel oil produced by Petrosar, representing an estimated 52% of the total dollar value of its production, are sold to its shareholders other than CDC under long-term take-or-pay contracts. The remaining products consisting mostly of propylene and fuels are sold to third parties primarily under long-term contracts.

Crude oil supplies from western Canada have become more restricted and markets for heavy fuel products in eastern Canada much weaker than originally anticipated. In response to these changing circumstances, Petrosar implemented the feedstock rationalization program referred to above. In addition, Petrosar has given a conditional undertaking to the Government of Canada to substantially reduce the output of heavy fuel products which will make even more efficient its processes for producing primary petrochemicals. In order to accomplish the foregoing, a program is being developed ,which principally involves the construction of a residual oil upgrading plant and related facilities, at a cost estimated at between $400 million and $500 million on an as spent basis. Part of the program, other than the upgrading plant, has begun and the entire program is expected to be completed in 1985. Upon completion production of heavy fuel products will be substantially reduced. Funds required to finance the upgrading plant are expected to come from all, or some of, present holders of take-or-pay contracts for residual fuel oil, the shareholders of Petrosar, retained earnings and long-term external financing sources in proportions yet to be determined.

Substantially all of the roughly 100,000 barrels per day of the crude oil feedstock presently consumed by Petrosar originates in Alberta. Current Alberta daily production of crude oil comprises 885,000 barrels per day from Crown lease lands and 200,000 barrels per day from freehold lands. All crude oil produced from Crown lease lands is purchased by the Alberta Petroleum Marketing Commission, which in turn sells only to approved purchasers, of which Petrosar is not one. Petrosar has been able to obtain its crude oil requirements from producers holding freehold lands and expects to continue to do so. The Government of Canada has given assurance to Petrosar that in the event of shortages of supplies of crude oil Petrosar would be allocated crude oil on a basis equitable with all other Canadian refiners. Reference is made to "CDC Oil & Gas Limited" for further details on government regulation of domestic crude oil production, supply and pricing.

Mining

Texasgulf Inc.

In 1973, CDC purchased 9,259,720 common shares of Texasgulf Inc. ("Texasgulf") and, with subsequent purchases, CDC now owns, through a wholly-owned foreign subsidiary, 10,893,406 common shares and 1,225,200 shares of convertible preferred stock Series A of Texasgulf. If all the Texasgulf convertible preferred stock outstanding on June 30, 1980 were converted into common shares, the ownership by CDC of common shares of Texasgulf would be 34.7%. The Texasgulf shares were purchased for a total of $360.6 million. The present market value of this investment based on The Toronto Stock Exchange closing prices for Texasgulf shares on September 15, 1980 is $744.5 million. However, due to the large number of shares owned by CDC, the quoted market price is not necessarily the price which CDC would receive if the shares were to be sold. CDC believes no other shareholder owns more than 3% of Texasgulf stock.

Texasgulf is engaged in the exploration for and development of minerals and hydrocarbons, and in the production of chemicals, metals and energy products. Products include metals, metal concentrates, sulphur, phosphate fertilizer materials, potash, soda ash and oil and gas.

The following table sets forth revenues by product category and net income as reported by Texasgulf for the periods indicated:

	Six months ended June 30		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
			(millions of U.S. dollars)				
Revenues:							
Chemicals	$306.6	$214.3	$464.1	$340.6	$260.6	$235.6	$236.3
Metals	196.4	151.2	298.8	239.2	199.0	230.5	195.9
Oil and gas	16.5	10.7	23.6	21.2	22.5	13.8	11.8
Other	1.1	1.4	2.8	1.3	0.5	0.6	0.6
Total revenues	$520.6	$377.6	$789.3	$602.3	$482.6	$480.5	$444.6
Net income(1)	$175.7	$ 57.6	$136.9	$ 50.1	$ 46.3	$ 60.8	$ 93.7

(1) Net income for 1979 was increased by U.S. $12.5 million as a result of the capitalization of interest in accordance with the Financial Accounting Standards Board statement No. 34. Net income for the first six months of 1980 increased by U.S. $8.1 million as a result of the adoption of the flow-through method of accounting for investment tax credits. The pre-1980 cumulative effect of the latter change, in the amount of U.S. $39.1 million, is also reflected in net income for the first six months of 1980.

Chemicals Operations – Texasgulf is a major producer of three basic fertilizer materials: phosphate, sulphur and potash. It also produces soda ash. The following table sets forth production and sales statistics for the periods indicated:

	Year ended December 31				
	1979	1978	1977	1976	1975
Production(1):			(thousands of tons)		
Phosphate					
Phosphate rock	3,851	3,514	2,591	2,152	1,863
Phosphoric acid	1,271	1,117	926	951	884
Sulphur (long tons)(2)	2,270	1,830	2,165	2,311	2,151
Soda ash	938	781	407	37	—
Potash	702	694	614	599	530
Sales:			(millions of U.S. dollars)		
Phosphate (all products)	$ 212	$ 159	$ 117	$ 117	$ 118
Sulphur(3)	141	103	90	87	97
Soda ash	66	43	24	—	—
Potash	39	32	27	29	20
Other	6	4	3	3	1

(1) Short tons unless otherwise indicated.
(2) Includes purchases.
(3) Includes amounts purchased for resale and excludes amounts used internally.

Texasgulf mines phosphate ore and sells phosphate fertilizer materials produced at its Lee Creek Mine in North Carolina which at December 31, 1979 had an annual capacity of 680,000 tons of 100% phosphorous pentoxide equivalent. Expansion of annual capacity to 1,020,000 tons, at an estimated cost of U.S. $180 million, is scheduled for completion in stages by 1982. At Lee Creek Texasgulf owns or leases lands containing 2.2 billion tons of phosphate sands averaging about 13% phosphorous pentoxide of which 1.2 billion tons are proven recoverable reserves.

Texasgulf produces sulphur at three Frasch mines in Texas which have reserves estimated at 16.3 million long tons. Through contractual arrangements and partial ownership Texasgulf has access to sour gas sulphur reserves in Alberta which at December 31, 1979 were estimated at 7.4 million long tons. Texasgulf also has a 34% equity interest in two Mexican sulphur companies with total reserves estimated at December 31, 1979 at 18.8 million long tons. Production and purchases of sulphur in 1979 tota'led 2,269,500 long tons with approximately 3,754,000 long tons of sulphur in inventory at year end. The most important single use of sulphur is in the production of phosphate fertilizers.

Texasgulf also produces soda ash from trona ore which is mined and processed in southwestern Wyoming with reserves estimated at December 31, 1979 of about 172 million tons averaging nearly 90% pure trona. Production began in 1976 and has now reached annual design capacity of 1,000,000 tons. Engineering studies are underway and permits are being obtained for a plant expansion to two million tons at an estimated cost of U.S. $225 million. Soda ash is widely used in the glass and chemical industries.

Potash is produced by Texasgulf at its mine in Utah and in Saskatchewan where it has a 40% interest in the Allan Potash Mines. In 1979, potash production, including the share of production in Saskatchewan, was 701,900 tons. Potash bearing material potentially recoverable by solution mining from the mine in Utah totals about 16.3 million tons, as estimated at December 31, 1979, averaging about 16.5% potassium oxide. Texasgulf believes that up to 50% of this material may be recovered but cannot predict the exact amount. Texasgulf's 40% share of reserves at the Allan Potash Mines would be equivalent to about 798 million tons averaging about 24.4% potassium oxide.

Metals Operations – Texasgulf, through its wholly-owned subsidiary Texasgulf Canada Limited, owns and operates the Kidd Creek Mine in Timmins, Ontario. The Kidd Creek Mine is one of the world's largest single sources of zinc and also yields substantial quantities of silver and copper and some lead, cadmium and tin. Since 1977 all mining operations have been underground. The following table sets forth information on ore milled and concentrates produced at the Kidd Creek Mine for the periods indicated:

	Year ended December 31				
	1979	1978	1977	1976	1975
Ore milled (tons)	4,057,500	3,309,300	3,636,600	3,574,000	3,630,000
Copper concentrates (tons)	285,900	221,500	243,500	234,700	238,400
Lead concentrates (tons)	13,700	20,200	31,100	38,600	31,600
Zinc concentrates (tons)	342,100	335,400	436,300	474,200	504,700
Silver (troy ounces in concentrates)	6,965,700	7,825,600	8,924,000	10,415,000	9,235,000
Tin (pounds in concentrates)	209,600	223,100	372,300	410,300	628,400

A major portion of the zinc concentrates is processed in Texasgulf's zinc plant at Kidd Creek, which has a design capacity of 120,000 tons of zinc metal per year. The zinc plant also produces sulphuric acid and cadmium metal. The following table sets forth the zinc plant's production of its principal products for the periods indicated:

	Year ended December 31				
	1979	1978	1977	1976	1975
Zinc metal (tons)	117,600	80,300	91,100	107,700	93,000
Sulphuric acid (tons)	203,000	152,400	166,800	190,900	161,700
Cadmium metal (pounds)	1,085,700	699,800	792,200	1,108,400	940,100

In order to reduce the zinc metal inventory, the zinc plant operated through most of 1978 at 65% of design capacity. Production nearly equalled design capacity in 1979. In the first half of 1980 the plant operated at over 90% of its design capacity.

Most of the zinc metal is sold by Texasgulf to customers in the United States, with some sales in Canada, Europe, South America and New Zealand; sulphuric acid is sold to one Canadian customer; and cadmium is sold to various customers in North America and Europe. Zinc concentrates which are not processed to metal at Kidd Creek and all of the lead and tin concentrates are sold to customers in Europe, Mexico, Japan and the United States. Copper and copper-silver concentrates are processed in Canada by third parties on behalf of Texasgulf with the product being sold primarily in North America and Europe.

In 1974, Texasgulf commenced development of a second underground mine at Kidd Creek and a 5,100 foot shaft has been completed. Development work for the new underground mine will permit an increase in the rate of production from the ore body at Kidd Creek to about five million tons of ore per year by the end of 1981. Texasgulf is constructing a copper smelter and refinery with an annual capacity of 65,000 tons which is scheduled for full operation by mid-1981 and should permit higher metals recovery at lower cost to Texasgulf.

Reserves at the Kidd Creek Mine at December 31, 1979 were estimated at approximately 38 million tons of proven ore and 63 million tons of probable ore with an average grade of 5.13% zinc; 2.82% copper; 0.18% lead and 1.93 ounces of silver per ton. Copper content of the ore appears to increase with depth, although the content of other recoverable metals appears to decrease. The ultimate depth of the orebody is not known, nor has it been fully defined laterally.

Texasgulf owns a small producing gold-copper property in Oregon and a small producing coal mine in Colorado and has a 35% net profits interest in a producing lead-zinc mine on Baffin Island. It also has a 10.5% interest in a producing iron ore operation in Australia and a 50% interest in certain undeveloped iron deposits there. However, on August 12, 1980 it announced an agreement in principle to sell these Australian iron interests to CRA Limited of Melbourne, Australia for U.S. $80 million.

Texasgulf, through its exploration program, has found most of the minerals which it now produces. Texasgulf continues to be actively engaged in the exploration for minerals primarily in Canada and the United States and also in Australia, Ireland and South Africa. Recently Texasgulf announced that it has established 2.5 million tons of drill-indicated mineralization averaging 0.15 ounces of gold per ton at the Owl Creek property near Timmins, Ontario. About one million tons of the material, averaging about 0.11 ounces of gold per ton, can be mined by the open pit method and removal of overburden is planned to begin during the winter of 1980-1981. If the Owl Creek project is developed Inco Limited will have the right to participate as a 40% partner, with Texasgulf as the operator having a 60% interest.

Oil and Gas Operations - Texasgulf explores for and produces oil and gas mainly in North America. In 1979, 340,000 barrels of oil and condensate, 15 billion cubic feet of gas and two million gallons of natural gas liquids were produced from wells located in Canada and the United States. Texasgulf's proved developed reserves in the United States and Canada at December 31, 1979 were estimated at 3.9 million barrels of oil and 165.5 billion cubic feet of gas, and it had estimated proved undeveloped reserves of 0.2 million barrels of oil and 31.8 billion cubic feet of gas.

Oil and Gas

CDC Oil & Gas Limited

CDC Oil & Gas Limited ("CDC Oil & Gas") commenced operations as a wholly-owned subsidiary of CDC in early 1976. CDC Oil & Gas and certain other Canadian oil and gas assets were acquired by CDC from Tenneco Inc. for an aggregate purchase price of $110 million. CDC Oil & Gas is primarily involved in conventional oil and gas exploration and production. Producing properties are mainly located in western Canada and in the United States while exploration acreage is located in western Canada, the Beaufort Sea, the eastern Arctic and offshore Labrador. In addition to conventional oil and gas activities, CDC Oil & Gas holds a 51% interest in an Athabasca Tar Sands lease as well as being a participant in uranium exploration.

The following table sets forth revenues by product and net income of CDC Oil & Gas since its formation:

	Six months ended June 30		Year ended December 31			
	1980	1979	1979	1978	1977	1976
			(millions)			
Revenues:						
Crude oil and natural gas liquids..	$10.9	$ 9.2	$19.9	$16.7	$15.5	$12.5
Natural gas.....................	17.7	13.6	28.6	23.4	17.0	11.6
Other..........................	1.6	1.5	2.8	3.1	2.8	2.4
Total revenues....................	$30.2	$24.3	$51.3	$43.2	$35.3	$26.5
Net income.......................	$ 9.0	$ 4.3	$10.7	$11.8	$12.2	$ 8.7

Production - In 1979, crude oil and condensate produced from properties in Alberta accounted for 83% of the total production volume with approximately 30% of the total coming from the Swan Hills and Hussar fields. The balance came from British Columbia (10.5%), Saskatchewan (5.0%) and the United States (1.5%).

In 1979, natural gas produced from properties in Alberta accounted for approximately 78% of production, with approximately 18% coming from Paddle River, and approximately 25% being nearly equally divided between the Brasseau and Crossfield fields in Alberta. The balance of production came from British Columbia (10%) and the United States (12%). The majority of the natural gas produced from Alberta is contracted to TransCanada PipeLines Limited. United States natural gas production is sold under contract to Louisiana Resources Company.

The following table sets forth the production of CDC Oil & Gas for the periods indicated:

	Average daily production after royalty			
	Year ended December 31			
	1979	1978	1977	1976
Crude oil and natural gas liquids (Bbl/d)	4,235	4,000	4,411	4,359
Natural gas (Mcf/d)................	46,511	41,883	38,829	34,542
Total (NEB/d) (1)..................	11,986	10,981	10,883	10,116

(1) Natural gas is converted into net equivalents of crude oil on the basis of 6,000 cubic feet of gas equals one net equivalent barrel.

Although Canadian purchasers of natural gas have reduced the amount of gas taken under their contracts, CDC Oil & Gas has been able to increase natural gas production through development in Louisiana and the optimization of production and development of reserves already under contract in Canada.

Exploration and Development - At December 31, 1979 CDC Oil & Gas held crown permits, reservations, licenses and leases covering an aggregate of 7.4 million acres (1.6 million net acres) of which 1.2 million acres are in Alberta (492,000 net acres), 618,000 acres are in the other western Canadian provinces (356,000 net acres), 8,800 acres are in the United States (1,100 net acres) and 5.6 million acres are in frontier areas of the Beaufort Sea, the eastern Arctic, off-shore Labrador and the North West Territories (751,000 net acres).

CDC Oil & Gas has concentrated its exploration and development activities in British Columbia in the Fort Nelson area and in Alberta in the Foothills, Peace River, Bigoray, and south east areas of the province. These activities have been supplemented by acquisitions in the frontier areas of Canada, namely Lancaster Sound, Beaufort Sea and Labrador Shelf, and also in Louisiana in the United States. In 1979, CDC Oil & Gas participated with others in drilling 22 exploration wells (12.1 net wells) of which 36.4% discovered oil or gas (27.3% of net wells). In addition, CDC Oil & Gas participated in 56 development wells (22.7 net wells) and 47 wells drilled in various units to maintain production (2.3 net wells) of which 86.4% were oil, gas or service wells (68.0% of net wells). In 1980, CDC Oil & Gas agreed to participate in an exploration program in the United States by providing $8.6 million of exploration expenditures. CDC Oil & Gas is engaged with Tenneco Oil of Canada Ltd. in a recovery pilot project in the Athabasca Tar Sands area, is project operator and is responsible for 51% of the costs, estimated at $30 million over the next three years. Several joint ventures have been entered into for uranium exploration.

Capital Expenditures – The following table sets forth the capital investment by CDC Oil & Gas for exploration and production (including minerals) for the periods indicated:

	Year ended December 31			
	1979	1978	1977	1976
	(millions)			
Exploration:				
Acreage acquisition	$14.0	$ 6.4	$ 5.3	$ 2.9
Drilling	7.9	5.8	9.7	1.1
Other	5.2	3.5	1.0	1.1
	27.1	15.7	16.0	5.1
Production:				
Acreage acquisition	1.7	—	—	—
Drilling	8.1	10.8	2.5	1.5
Production facilities	3.7	3.9	1.2	3.9
Other	0.3	0.2	0.2	0.1
	13.8	14.9	3.9	5.5
Corporate acquisitions	—	3.2	51.2	—
Total capital investment	$40.9	$33.8	$71.1	$10.6

The total capital investment by CDC Oil & Gas for exploration and production in 1980 is estimated to be about $85 million and in excess of this amount in 1981. These amounts are substantially in excess of the anticipated cash flow to be generated from its operations during these periods. Additional requirements will be funded by secured borrowings under a $315 million multi-currency revolving line of credit with a Canadian chartered bank of which about $64 million has been drawn down as at June 30, 1980.

Reserves – The following table sets forth the estimates by CDC Oil & Gas of its oil and gas reserves, after royalties, as at December 31, 1979:

	Crude oil (thousands of barrels)	Natural gas liquids (thousands of barrels)	Natural gas (millions of cubic feet)	Total (thousands of net equivalent barrels)
Developed:				
Producing	11,906	5,034	183,549	47,528
Non-producing	31	258	76,713	13,077
Undeveloped:				
Proven and probable	0	113	26,828	4,582
Total	11,937	5,405	287,090	65,187

NOTE:

Proven reserves are those quantities of crude oil, natural gas and natural gas liquids which analysis of geological and engineering data demonstrates with reasonable certainty to be recoverable from known oil or gas fields under existing economic and operating conditions. Probable reserves are those additional quantities estimated to be commercially recoverable from known oil and gas fields, as a result of additional drilling and the effects of the future installation of secondary recovery methods or future improvements in existing recovery methods.

CDC Oil & Gas estimates that at December 31, 1979 the present value, discounted at 12½% and at 15%, of its future revenues from proven reserves in Canada and proven and probable reserves in the United States, calculated before tax but after capital costs, was $605 million and $521 million respectively.

Total reserves have increased from 50.0 million net equivalent barrels as at January 1, 1976 to 65.2 million net equivalent barrels as at December 31, 1979 while during this period production amounted to 16.1 million net equivalent barrels.

Government Regulations and Pricing

The petroleum industry in Canada is subject to federal and provincial legislation and regulations governing tenure of petroleum and natural gas rights, production rates, royalties, pricing and other matters. The federal legislation regulates the price of crude oil and natural gas in interprovincial and export trade. The Government of Canada, through the National Energy Board, controls the export of crude oil, refined petroleum products and natural gas. Provincial legislation includes conservation and proration measures designed to promote efficient production and the sharing by producers of the available market on an equitable basis. Also, Alberta has enacted legislation with the intention of regulating the amount and price of crude oil and natural gas produced in that province and regulating the volume of crude oil and natural gas which may be removed from the province.

The Government of Canada has not permitted the domestic price for Canadian crude oil to rise as rapidly as international prices. It has, however, announced an intention to introduce a blended price policy which will result in some increase in the wellhead price of Canadian crude oil to domestic purchasers. The Governments of Canada and Alberta have recently held discussions relating to the timing and the amount of any such increases. Since that time Alberta has increased the wellhead price of crude oil by $2 per barrel and has indicated that there may be further price increases in 1980.

Natural gas prices in Canada came under federal government control during 1975 with the establishment of a Toronto city gate price and a higher price for gas exported to the United States. Prices are subject to periodic increases at a rate approved by both the federal and provincial governments. The Alberta government recently announced an increase in the Toronto city gate price of 30 cents per million B.T.U. effective September 1, 1980. Exports of gas from western Canada require the authorization of the regulatory authorities of the respective governments. The National Energy Board has recently determined that there is a surplus of gas over Canada's current and anticipated requirements which will permit exports to the United States. The federal cabinet has recently announced approval for additional exports of natural gas through the initial construction sections of the Alaska Highway Pipeline Project which is designed to transport gas from Alaska to markets in the United States. These initial sections, scheduled for completion in 1980 and 1981, will enable the export of Alberta gas before completion of the entire project.

Electronics

CDC Data Systems Limited

CDC Data Systems Limited ("CDC Data") is engaged in the office equipment sector of the electronics industry through its ownership of 62.5% of the common shares of AES Data Ltd. ("AES"), a Canadian manufacturer of word processing equipment. AES operates five plants located in Québec and Ontario and has a sales and service network in Canada and Europe. AES employs 2,146 employees in all phases of its operations. AES owns 100% of Wordplex Corporation ("Wordplex") a California company engaged in the same business. CDC Data acquired its initial investment in these companies in August, 1978 from members of the CDC venture and expansion capital group as referred to under "Venture and Expansion Capital". CDC Data has subsequently provided AES with additional equity of $35 million, which includes the purchase of convertible preferred shares, bringing its total investment in this group to approximately $126 million. Conversion of the preferred shares by CDC Data would increase its common share ownership of AES to 78.9%. Lanier Business Products Inc., the exclusive distributor in the United States of AES and Wordplex products, owns substantially all of the remaining common shares of AES.

AES products are sold and serviced principally under the AES, Wordplex, and Lanier trade names in stand-alone, small cluster and multi-station configurations. AES also distributes Lanier dictation equipment in Canada. The office equipment sector of the electronics industry is highly competitive, with the world market being shared by a number of major computer and business equipment suppliers. Component parts for AES products are provided by a variety of major suppliers in North America. In order to ensure continuity of supply, AES generally has more than one supplier and enters into long-term contracts for most of the components it requires. The consolidated revenues of AES were $126 million in 1979 compared to $64 million for the full year in 1978.

In November 1979, CDC Data entered into a joint venture agreement to continue with the development of a high speed printer. The initial commitment by CDC Data in order to obtain a 50% interest in the technology is $5 million.

CDC owns 57.7% of the outstanding shares of Ventek Limited, a United Kingdom company engaged in the distribution of computer hardware and software products. Ventek distributes computer hardware and software and provides maintenance and programming services in the United Kingdom. Consolidated revenues were approximately $29 million in 1979 and $22 million in 1978.

The following table sets forth revenues and net income of the electronics group for the periods indicated:

	Six months ended June 30		Year ended	Five months ended
	1980	1979	December 31, 1979	December 31, 1978
			(millions)	
Revenue	$84.6	$65.0	$154.6	$44.6
Net income (loss)	(1.9)	—	1.6	1.3

Life Sciences

CDC Life Sciences Inc.

CDC Life Sciences Inc. ("Life Sciences"), a wholly-owned subsidiary of CDC, has investments in an internationally-oriented group of companies engaged in the life sciences industry with activities in three areas: biologicals, contracting services, and pharmaceuticals.

The following table sets forth revenues and net income of Life Sciences for the periods indicated:

	Six months ended June 30		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
				(millions)			
Revenues	$76.5	$65.8	$137.8	$139.8	$109.2	$90.8	$83.6
Net income (loss)	0.1	4.5	4.1	4.1	(1.3)	0.4	(1.7)

Biologicals – Insulin, vaccines for human and animal use, blood fractions and diagnostic products are the principal biologicals produced by Life Sciences' wholly-owned subsidiary Connaught Laboratories Limited. Due to the nature of Connaught's products, a large proportion of its sales are to domestic and foreign governments. Manufacturing is carried out at facilities located in Toronto, Ontario and Swiftwater, Pennsylvania. Connaught is also engaged in continuing research with respect to existing products as well as in development of new product lines.

Contracting Services – Contract research and scientific services are carried out by Bio-Research Laboratories Ltd. and Raylo Chemicals Limited which are wholly-owned subsidiaries of Life Sciences. Bio-Research, located near Montreal, provides contract research services in toxicity safety testing and chemical analysis and other scientific services to the pharmaceutical, pesticide, chemical and food industries in North America and Western Europe. Raylo, located in Edmonton, manufactures fine chemicals and provides contract and research services to industry and government.

Pharmaceuticals – A/S Dumex, a major Danish pharmaceutical company, in which Life Sciences has a 75% interest, manufactures and sells a broad range of pharmaceutical and drug products, the most important of which are antidepressants and antibiotics, and also produces and sells milk replacers for farm animals, antibiotic feed grains and basic chemicals. Its primary manufacturing facility is located in Copenhagen and it has subsidiary and associated companies in Europe, Africa and South East Asia. Life Sciences has a 71% interest in Omnimedic Inc. which, through its wholly-owned subsidiary, Nordic Laboratories Inc., located in Laval, Québec, manufactures and distributes throughout Canada a variety of pharmaceutical products.

Fishery

Fishery Products Limited

On September 11, 1980 CDC acquired a 40% interest in Fishery Products Limited ("FP") for an aggregate price of \$34.4 million through the purchase of voting shares and debentures. FP operates eight primary fish processing plants in Newfoundland which are supplied by a fleet of trawlers owned by FP and also supplied by independent fishermen. FP is the largest private employer in Newfoundland with approximately 4,700 employees. Principal products are frozen retail and institutional packs of cod, sole, turbot and shrimp. Some secondary processing to produce breaded and cooked items is carried out at FP's plant located in Danvers, Massachusetts. Approximately 75% of sales are to customers in the United States. Sales revenues for FP increased from \$28 million in 1975 to \$136 million in 1979 and for the 24-week period ending June 14, 1980 were \$54 million. Revenues for the latter period were adversely affected by a strike in January and revenues for the year will be further affected by current labor disruptions in the fisheries industry in Newfoundland.

Venture and Expansion Capital

CDC Ventures Inc.

CDC, through its wholly-owned subsidiary CDC Ventures Inc. ("Ventures"), holds equity positions in several venture capital companies which, in turn, invest in businesses at their conceptual or early development stages and which provide an opportunity for capital appreciation over the long term. The areas of investment include agriculture technology, oil exploration and development, mobile communications and computer terminals, plastic containers and packaging, energy management and communication systems, soft drinks, general aviation sales and servicing and electronic sensing and control equipment. It is an objective of the venture capital companies to dispose of investments as the businesses mature and become profitable. Recent dispositions include AES, Wordplex and Ventek referred to under "Electronics" and Northway-Gestalt Corporation, a survey and mapping company.

Ventures also has an interest in CanWest Capital Corporation, an expansion capital organization which acquires and participates in the management of medium-size companies with a view to long-term growth and development. Principal investments of CanWest are The Monarch Life Assurance Company, Crown Trust Company, Canreit Advisory Corporation, Global Communications Inc., Na-Churs Plant Food Co., Universal Subscription Television, Inc. and Macleod-Stedman Inc.

At June 30, 1980, Ventures had equity in venture and expansion capital companies aggregating \$36.9 million, and had firm commitments to invest over the next two years a further \$17.8 million in the equity of CanWest and \$1.3 million in the equity of Alberta Ventures Fund and is considering further investments in venture capital and related companies.

The following table sets forth CDC's direct and indirect percentage ownership in the venture and expansion capital companies:

Name of company	Percentage ownership
Alberta Ventures Fund	27
CanWest Capital Corporation	49
Innocan Investments Ltd.	37
TDC Technology Development Corporation	50
Ventures West Capital Ltd.	49
Venturetek International Limited	32

With the exception of Innocan Investments Ltd., which recorded operating profits in most of its portfolio, the venture and expansion capital companies recorded losses in 1979. However, the success or failure of venture

capital companies should not be measured only by operating results but also by the gains or losses that may be realized on disposition of their individual investments. CDC expects that the investments held by its venture and expansion capital companies should return profits or gains on disposition in the future.

Management Discussion of Operating Results

Sources of Revenue and Contributions

The following table sets forth the sources of revenue and contributions to CDC's consolidated earnings for the periods indicated:

	Six months ended June 30		Year ended December 31		
	1980	1979	1979	1978	1977
			(millions)		
Revenue sources(1):					
Petrochemicals	$ 914.8	$762.9	$1,629.0	$1,122.4	$599.9
Oil and gas	30.1	24.2	51.1	43.0	34.9
Life sciences	73.0	62.9	132.3	132.3	106.4
Electronics (2)	84.6	65.0	153.5	44.5	—
Interest and other income	21.7	26.2	49.0	23.3	15.3
Total revenues	$1,124.2	$941.2	$2,014.9	$1,365.5	$756.5

	Six months ended June 30		Year ended December 31		
	1980	1979	1979	1978	1977
			(millions)		
Contributions to consolidated net earnings:					
Petrochemicals	$43.4	$27.7	$ 57.8	$10.3	$10.2
Mining	51.5	18.9	46.6	14.3	13.4
Oil and gas	7.9	4.4	10.6	10.9	10.4
Life sciences	0.1	4.5	4.2	4.1	(1.1)
Electronics (2)	(1.9)	—	1.6	1.3	—
Venture and expansion capital (2)	(3.8)	—	(3.4)	—	—
CDC	(8.1)	(4.2)	(3.6)	(3.6)	(6.6)
Net income	$89.1	$51.3	$113.8	$37.3	$26.3

(1) Revenues of companies comprising the mining and venture and expansion capital groups are not included in CDC's revenues since companies in these groups are included in CDC's consolidated statements only to the extent of CDC's interest in their earnings.

(2) Prior to August 2, 1978, operations comprising the electronics group were included in the venture and expansion capital group.

Operating Results

CDC – The increase in CDC's net income for the first six months of 1980 over the comparable period in 1979 reflects primarily the improvement in petrochemicals and mining. Higher prices prevailed for Polysar's products although volumes, particularly towards the end of the period, were below those of the 1979 period. A substantial improvement in the operations of Petrosar contributed to the favourable petrochemical results for the period. The largest improvement, however, was in the contribution from mining where sales revenues and net income were significantly improved because of higher prices in the first six months for nearly all major products of Texasgulf.

The years 1977 to 1979 inclusive reflect the continued growth of CDC by way of expansion and acquisition. Consolidated revenues during the period have increased primarily as a result of increased revenues of the petrochemical group reflecting the sales growth of Polysar and the inclusion of revenues of Petrosar from April 1, 1978.

The prices and volumes from CDC Oil & Gas, the inclusion of revenues of the electronics group for five months in 1978 and the entire year of 1979 and the increase in interest income all contributed to increasing the revenues of CDC to over $2 billion in 1979.

The increase in consolidated net income from $26 million in 1977 to $114 million in 1979 is primarily attributable to the contributions from the petrochemical and mining groups as a result of increased demand, higher prices and the coming onstream of new production facilities. Also contributing to the increase in net income were the results of the life sciences group and the modest impact on net income from the electronics group. The increased contribution from the mining group during the latter part of the period is also attributable to the additional shares of Texasgulf purchased by CDC during 1979.

Petrochemicals – Polysar revenues continued to increase during the years 1977 to 1979 reflecting the commencement of production of new capacity, higher prices and volumes and the translation of sales denominated in appreciating foreign currencies into Canadian dollars. In addition to the feedstock cost and supply benefits derived as a result of its investment in Petrosar, higher volumes and increased efficiency generated improved operating margins. However, Polysar's earnings were affected by foreign currency translations with a loss of $19.7 million in 1979 which more than offset gains of $5.2 million and $8.6 million in 1977 and 1978 respectively.

Petrosar commenced commercial production on April 1, 1978 and experienced normal startup problems during its first nine months of operations resulting in a net loss of $25.1 million after payment of preference share dividends of $24.3 million. In 1979 improved plant operations and higher prices for petrochemicals resulted in a reduced loss of $18.2 million after preference share dividends of $35.3 million.

Mining – Revenues increased over the years 1977 to 1979 as metals and chemical volumes and prices rose and the new soda ash facility in Wyoming operated at nearly full capacity. During this period net income also increased as higher prices and volumes led to significantly improved operating margins.

Oil and Gas – Revenues of CDC Oil & Gas have increased during the years 1977 to 1979 as a result of increased product prices and volumes. However, the increase in revenues has not resulted in a corresponding increase in net income, owing to the company's expansion of its exploration and development program and increases in operating and financing costs.

Electronics – Revenues of the electronics group increased substantially in 1979 over the full year 1978 reflecting increased market penetration. Costs associated with research and development, new product introduction, development of markets in Europe and the expansion of Canadian manufacturing facilities have adversely affected earnings for 1978 and 1979.

Life Sciences – Revenues for the life sciences group increased from 1977 to 1978 and margins also improved for each of the years 1977 to 1979 inclusive. Net income showed a significant increase in 1978 but did not increase in 1979 because of the introduction of new products, the expansion of facilities and significant research and development expenditures.

Venture and Expansion Capital – The venture and expansion capital group of companies made no contribution to earnings for the years 1977 and 1978. The negative contribution to 1979 earnings resulted from high interest rates and from development costs incurred by some of the companies in the group.

Capital Stock

The authorized capital of CDC consists of 200,000,000 common shares without nominal or par value ("Common Shares") of which 32,478,089 shares were outstanding on July 31, 1980 and $1,000,000,000 divided into preferred shares with a nominal or par value in any multiple of $5 each and not exceeding $1,000 each. The preferred shares are issuable in one or more classes and with such attributes as may be prescribed by a by-law passed by the directors of CDC and sanctioned by at least two-thirds of the votes cast at a special general meeting of shareholders.

Preferred Shares

By-laws of CDC have been duly passed and sanctioned with respect to $744,781,700 of the authorized preferred share capital to constitute preferred shares ranking as to dividends and priority on the liquidation, dissolution or winding-up of CDC in the following order of priority:

(i) $100,000,000 of preferred shares divided into 10,000,000 shares with a nominal or par value of $10 each designated as Class A Preferred Shares ("Class A Preferred Shares"), all of which are outstanding. These shares are non-voting, carry the right to receive preferred cumulative dividends at the rate of 5¾% per annum and are redeemable at par plus accrued and unpaid dividends at any time on or after March 5, 1981 at the option of either the holder or CDC. These shares rank in priority as to dividend entitlement and return of capital on the liquidation, dissolution or winding-up of CDC over all other classes of shares of CDC.

(ii) $200,000,000 of preferred shares which may at any time be divided into shares with a nominal or par value in any multiple of $5 each and not exceeding $1,000 each and which are designated as "Senior Preferred Shares". None of these shares have been issued by CDC. The only attributes of these shares which have been determined at this time are their relative priority as to dividends and their entitlement to return of capital on the liquidation, dissolution or winding-up of CDC. These shares, when issued, will rank in these respects in priority over all shares of CDC other than the Class A Preferred Shares and will carry such other attributes as may be determined by the directors of CDC.

(iii) $444,781,700 of preferred shares comprised of:

(a) $144,781,700 which has been divided into 1,447,817 preferred shares with a nominal or par value of $100 each designated as 8% Cumulative Redeemable Convertible Voting Class B Preferred Shares ("Class B Preferred Shares"), all of which have been issued and 1,421,539 of which were outstanding on July 31, 1980. These shares carry the right to receive preferred cumulative dividends at the rate of 8% per annum and are redeemable at the option of the holder from October 2, 1980 through December 31, 1980 and from October 2, 1985 through October 1, 1986 in each case at par plus accrued dividends. These shares are also redeemable at the option of CDC commencing October 2, 1980 at par plus a premium of $5 per share reducing to par by October 2, 1985 plus accrued and unpaid dividends. Each Class B Preferred Share carries the right to receive on or before October 1, 1985 one bonus Common Share and is convertible at any time into 10 Common Shares. On conversion, the bonus Common Share is immediately deliverable. The holders of the Class B Preferred Shares are entitled to 10 votes per share at meetings of shareholders of CDC; and

(b) $300,000,000 which consists of such number of shares with such par value in any multiple of $5 each not exceeding $1,000 each as the directors of CDC may prescribe and are designated as Public Preferred Shares. Of these Public Preferred Shares, $300,000,000 has been divided into 15,000,000 preferred shares with a nominal or par value of $20 each and have been designated as 7.60% Cumulative Redeemable Convertible Voting Preferred Shares, 1980 Issue ("1980 Preferred Shares"), being the shares offered by this prospectus. The 1980 Preferred Shares are redeemable and are convertible into Common Shares of CDC and carry other attributes all as set out under "Details of the Offering". The 1980 Preferred Shares will rank as to dividends and priority on return of capital on the liquidation, dissolution or winding-up of CDC junior to the Class A Preferred Shares and Senior Preferred Shares, pari passu with the Class B Preferred Shares and any other Public Preferred Shares hereafter issued and senior to the Common Shares. Additional Public Preferred Shares carrying such other attributes as may be determined by the board of directors of CDC may be issued at any time.

The remaining $255,218,300 of the $1,000,000,000 of authorized preferred shares of CDC remains undivided and undesignated. Under the CDC Act, outstanding shares of any class redeemed or purchased for cancellation by CDC or converted by the holder into or exchanged for other shares are restored to the status of unissued shares of the same class and may be reissued by CDC. Thus, notwithstanding redemptions, purchases, conversions or exchanges of such shares the authorized preferred share capital of CDC will remain at $1,000,000,000.

Reference is also made to "Additional Preferred Shares," "Winding-up by Parliament Only" and "Class A and Class B Preferred Share Restrictions".

Common Shares

The Common Shares rank junior to the outstanding Class A Preferred Shares, the Class B Preferred Shares, and the 1980 Preferred Shares with respect to the payment of dividends and are subject to the limitations on the payment of dividends on junior shares as described under "Restrictions of Dividends and Retirement of Shares." The holders of Common Shares are entitled to one vote in respect of each Common Share held.

Details of the Offering

The following is a summary of the material preferences, rights, restrictions, conditions and limitations attaching to the 1980 Preferred Shares of CDC.

Dividends

The holders of 1980 Preferred Shares will be entitled to receive, as and when declared by the directors, fixed cumulative preferential dividends at the rate of 7.60% per share per annum ($1.52 per share), payable quarterly on the first day of February, May, August and November in each year. Such dividends will accrue from the date of issue. The first dividend will be payable on the first day of February, 1981.

Conversion Privilege

Each 1980 Preferred Share will be convertible at the option of the holder at any time before the close of business on October 15, 1990 or, in the case of shares called for redemption, before the close of business on the third business day preceding the date fixed for redemption, into 1.27 fully paid and non-assessable Common Shares of CDC, being a conversion price of $15.75 per Common Share, subject to adjustment in certain events as set forth below. Fractional shares will not be issued on any conversion but in lieu thereof CDC will either make cash payments or issue scrip certificates of limited duration.

On conversion of any 1980 Preferred Shares the holder will not be entitled to any adjustment of dividends on such 1980 Preferred Shares or on the Common Shares issuable on conversion. 1980 Preferred Shares held in contravention of the CDC Act will not be convertible into Common Shares as long as such shares are so held. Reference is made to "Restrictions on Share Ownership".

Adjustment of Conversion Rate

The attributes of the 1980 Preferred Shares provide for the adjustment of the conversion rate in the following events:

(a) the subdivision, consolidation or reclassification of the Common Shares;

(b) the issue by CDC of Common Shares (or securities convertible into Common Shares) to all or substantially all the holders of Common Shares by way of dividend;

(c) the issue by CDC of rights, options or warrants to all or substantially all of the holders of Common Shares entitling them within a period of 45 days to acquire from CDC Common Shares (or securities convertible into Common Shares) at less than 95% of the Current Market Price of the Common Shares on the date of issue of such rights, options or warrants; Current Market Price is defined to mean, at any date, the weighted average price at which the Common Shares have traded on The Toronto Stock Exchange during 20 consecutive trading days commencing not more than 35 trading days before such date;

(d) the issue by CDC to all or substantially all the holders of Common Shares of (i) shares of any other class, (ii) rights, options or warrants (other than as referred to in (c) above) or (iii) evidences of indebtedness; or

(e) the distribution by CDC to all or substantially all the holders of Common Shares of assets other than cash dividends paid in the ordinary course.

There will be no adjustment in the conversion rate under paragraph (b) in respect of the grant by CDC to the holders of its Common Shares of the option or right to receive dividends in Common Shares in lieu of cash dividends, nor will there be any adjustment in the conversion rate under paragraph (c) in respect of the grant by CDC to the holders of its Common Shares of the right to purchase Common Shares under dividend reinvestment plans or share purchase plans provided such shares are issued at prices not less than 95% of the "Average Market Price" as defined in such plans and referred to under "Dividend Reinvestment and Share Purchase Plan." In addition there will be no adjustment of the conversion rate in respect of any issue of rights, options or warrants described in (c) or (d) above if the holders of the 1980 Preferred Shares are also issued rights, options or warrants on the same basis as if they had converted their 1980 Preferred Shares into Common Shares before the applicable record date for such issue.

CDC will be required to give at least 21 days' notice to the holders of the 1980 Preferred Shares of the record date for any of the issues or distributions referred to in (b), (c), (d) or (e) above. CDC will not be required to make adjustments to the conversion price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

Voting Rights

The holders of the 1980 Preferred Shares will be entitled to notice of and to attend all meetings of shareholders of CDC other than separate meetings of the holders of another class of shares. At such meetings such holders will be entitled to one vote for each 1980 Preferred Share held.

Redemption

The 1980 Preferred Shares will not be redeemable before October 15, 1983. From October 15, 1983 to October 14, 1985, the 1980 Preferred Shares will not be redeemable unless on the day that notice of such redemption is first given the Current Market Price of the Common Shares (as defined under "Adjustment of Conversion Rate") was not less than 125% of the conversion price in effect on such date. Subject to the foregoing and as hereinafter provided, the 1980 Preferred Shares will be redeemable at the option of CDC in whole at any time or in part from time to time on not more than 60 and not less than 30 days' notice at the redemption price per 1980 Preferred Share shown below plus in each case accrued and unpaid dividends to the date fixed for redemption.

If redeemed in the 12 months ending October 14		If redeemed in the 12 months ending October 14	
1984	$21.20	1988	$20.60
1985	21.20	1989	20.40
1986	21.00	1990	20.20
1987	20.80	Thereafter	20.00

Notwithstanding the foregoing limitations, if at any time less than 1,500,000 1980 Preferred Shares remain outstanding, CDC may redeem all, but not part, of such shares on payment, for each such share to be redeemed, of $21.20 per share if such shares are redeemed prior to October 15, 1983 and thereafter on payment of the then applicable redemption price plus in each case accrued and unpaid dividends to the date fixed for redemption. In addition, CDC may at any time redeem any shares held in contravention of the CDC Act as referred to under "Restrictions on Share Ownership".

Purchase for Cancellation

Except as noted under "Restrictions on Dividends and Retirement of Shares" and "Class A and Class B Preferred Share Restrictions", CDC will have the right at any time to purchase for cancellation 1980 Preferred Shares in the open market or by tender or by private contract at prices not exceeding $21.20 per share if purchased prior to October 15, 1983 or the then applicable redemption price if purchased thereafter plus in each case accrued and unpaid dividends and costs of purchase.

Purchase Obligation

Except as noted under "Restrictions on Dividends and Retirement of Shares" and "Class A and Class B Preferred Share Restrictions", CDC will during each calendar quarter commencing with the first calendar quarter of 1991, purchase in the open market for cancellation 1% of the total number of 1980 Preferred Shares outstanding at the close of business on October 15, 1990, if and to the extent that such shares are available for purchase at prices not exceeding $20 per share plus accrued and unpaid dividends and costs of purchase. If, notwithstanding the making of all reasonable efforts, CDC, is unable to fulfill such obligation in any calendar quarter, the obligation for that calendar quarter shall carry over only to the succeeding calendar quarters of the same calendar year and shall thereupon be extinguished. CDC will not be obligated to purchase any 1980 Preferred Shares pursuant to this provision if and so long as such purchase would be contrary to any applicable law.

Restrictions on Dividends and Retirement of Shares

If there are arrears in dividends on the 1980 Preferred Shares or on any shares ranking prior to or pari passu with the 1980 Preferred Shares, CDC will not, without the approval of the holders of the 1980 Preferred Shares:

(a) pay any dividends on the Common Shares or any other shares of CDC ranking junior to the 1980 Preferred Shares (other than stock dividends in any such shares of CDC);

(b) redeem or purchase or make any capital distribution in respect of the Common Shares or any other shares of CDC ranking junior to the 1980 Preferred Shares;

(c) redeem or purchase less than all the 1980 Preferred Shares then outstanding; or

(d) redeem or purchase any other shares of CDC ranking on a parity with the 1980 Preferred Shares.

The foregoing restrictions shall not operate to prevent CDC from redeeming any Class B Preferred Shares when required to do so by the holders of such shares or from purchasing Class B Preferred Shares under the purchase fund applicable to such shares, or from redeeming any shares of CDC held in contravention of the CDC Act, as referred to under "Restrictions on Share Ownership".

Additional Preferred Shares

CDC will not, without the approval of the holders of the 1980 Preferred Shares, issue any shares of CDC ranking in priority to or on a parity with the 1980 Preferred Shares unless all accrued and unpaid dividends on the 1980 Preferred Shares and on all shares ranking prior to or on a parity with the 1980 Preferred Shares have been declared and paid or set apart for payment.

Subject as aforesaid, CDC may at any time, without the approval of the holders of the 1980 Preferred Shares as a class, create or issue additional preferred shares or additional classes of preferred shares, without limitation as to aggregate par value, ranking prior to or pari passu with the 1980 Preferred Shares as to entitlement to dividends and return of capital on the liquidation, dissolution or winding-up of CDC and in such other respects, including limitations on the payment of dividends on, or redemptions or purchases of, 1980 Preferred Shares, as the directors of CDC may determine. In particular, the authorized preferred share capital of CDC may be increased from $1,000,000,000 and such capital as so increased may be issued by CDC and may rank in priority to the 1980 Preferred Shares without the approval of the holders of the 1980 Preferred Shares as a class. In addition, preferred shares redeemed or purchased by CDC or converted or exchanged by the holders thereof may be reissued or may be restored to the undivided authorized preferred share capital of CDC without such approval.

However, the CDC Act provides, in effect, that the holders of the 1980 Preferred Shares are entitled to vote with the holders of Common Shares and other voting shares of CDC for the approval of by-laws creating and designating a class of preferred shares out of the authorized preferred share capital of CDC and by-laws authorizing applications for letters patent to increase or otherwise alter the capital of CDC. Any such letters patent do not become effective until affirmed by both Houses of Parliament.

Amendments

The provisions attaching to the 1980 Preferred Shares may not be deleted or varied without the approval of the holders of the 1980 Preferred Shares. Such approval may be given by a resolution carried by the affirmative vote of the holders of not less than two-thirds of the 1980 Preferred Shares represented and voted at a meeting of such holders called for the purpose at which the holders of at least a majority thereof are present or represented by proxy, or at any adjourned meeting where the adjournment was made by reason of such quorum not being present or represented. At such adjourned meeting, those holders of 1980 Preferred Shares who are present in person or represented by proxy shall form a quorum.

Class A and Class B Preferred Share Restrictions

Under the attributes attaching to the Class A Preferred Shares, no dividends may be paid on either the Class B Preferred Shares or the 1980 Preferred Shares nor may any such shares be called for redemption at the option of CDC or purchased for cancellation by CDC if dividends on the Class A Preferred Shares are in arrears. For further particulars of the Class A Preferred Shares, reference is made to "Capital Stock".

Under the attributes of the Class B Preferred Shares, CDC shall not redeem or purchase for cancellation any 1980 Preferred Shares if dividends on the Class B Preferred Shares are in arrears. The Class B Preferred Shares and the 1980 Preferred Shares will rank pari passu in respect of dividends and return of capital on the liquidation, dissolution or winding-up of CDC. Accordingly, if any amounts to be paid for such purposes are not paid in full, payments shall be made to the holders of the Class B Preferred Shares and the 1980 Preferred Shares rateably in accordance with the sums which would be payable if all such amounts were paid in full.

If CDC should issue any Senior Preferred Shares, as referred to under "Capital Stock", the attributes attaching to such shares may restrict the payment of dividends on, or the redemption or purchase of, the 1980 Preferred Shares.

Notwithstanding the foregoing restrictions, CDC may at any time redeem any shares held in contravention of the CDC Act, as referred to under "Restrictions on Share Ownership".

Winding-Up by Parliament Only

The CDC Act stipulates that no law relating to the solvency or winding-up of a corporation applies to CDC and in no case shall the affairs of CDC be wound up unless Parliament so provides. Subject to any law that the Parliament of Canada may enact to provide for the winding-up of CDC (which law may adapt, modify or cancel the provisions attaching to all classes of preferred shares relating to rights on winding-up), on any distribution of assets on the winding-up of CDC, the holders of the Class A Preferred Shares and of all other preferred shares ranking in priority to the 1980 Preferred Shares will first be entitled to receive the par value of such shares plus all accrued and unpaid dividends and thereafter the holders of the 1980 Preferred Shares and all preferred shares ranking equally with the 1980 Preferred Shares will be entitled to receive the par value of such shares plus all accrued and unpaid dividends before any amount is paid to the holders of Common Shares or any other shares ranking junior to the 1980 Preferred Shares. The holders of the 1980 Preferred Shares will not be entitled, as such, to share in any further distribution of the property or assets of CDC.

Instalment Purchase Plan

Subscription

1980 Preferred Shares may be subscribed for under the Instalment Purchase Plan ("the Plan") involving total subscriptions for 25, 50, 100 or 200 1980 Preferred Shares. A subscriber under the Plan will complete an application form at the time of subscription which must be deposited with CDC by October 2, 1980 accompanied by the initial payment as well as five post-dated cheques for the remaining instalments. The initial payment will be an amount equal to 20% of the subscription price, with the balance payable in five subsequent equal monthly instalments payable on the first day of each month commencing November 1, 1980.

The following table sets forth the payments to be made by subscribers under the Plan:

	Amount of initial payment for purchase of shares	Amount of each of 5 monthly payments for the purchase of shares	Total payments made under the Plan
25 Share Plan	$100	$ 80	$ 500
50 Share Plan	200	160	1,000
100 Share Plan	400	320	2,000
200 Share Plan	800	640	4,000

Limitation

No more than one subscription under the Plan is available to any subscriber and such subscription is not transferable.

Administration

The Plan will be administered by CDC. All cheques should be made payable to Canada Development Corporation. CDC will issue fully paid and non-assessable 1980 Preferred Shares on a monthly basis as instalments are paid and will register in the name of the subscriber the number of 1980 Preferred Shares purchased by such subscriber's instalment.

Dividend Entitlement

Each subscriber to the Plan will be entitled to receive dividends on the number of 1980 Preferred Shares registered in the subscriber's name on the record date for such dividends. Dividends on such shares will accrue from their respective dates of issue.

Prepayment or Cancellation

Remaining instalments payable under the Plan may be prepaid at any time to permit the subscriber to complete his subscription to the Plan and receive his 1980 Preferred Shares before the normal completion date. If the subscriber wishes to cancel his subscription to the Plan prior to completion thereof, he may do so on 15 days' written notice to CDC and, after the effective date of such cancellation, his remaining instalment cheques will be returned to him. Where CDC is unable to effect timely collection of an instalment payment under the Plan, it will forthwith notify the subscriber that, if such payment is not received within 15 days from the date of the mailing of the notice, his subscription to the Plan will be cancelled. If payment is received within the 15 day notice period, it will be applied to the subscription price of 1980 Preferred Shares on the first day of the month following receipt. Furthermore, after notice is given, no future instalment will be applied to the subscription price of 1980 Preferred Shares until the first day of the month following the date on which arrears under the Plan have been paid.

Delivery of Certificates

On normal completion, pre-payment or cancellation of subscriptions to the Plan, CDC will cause the transfer agent for the 1980 Preferred Shares to forward to the subscriber as soon as practicable after the record date established for the next succeeding quarterly dividend on the 1980 Preferred Shares, a certificate representing the number of 1980 Preferred Shares purchased under the Plan.

Plan of Distribution

Pursuant to an underwriting and agency agreement dated September 17, 1980 between CDC and Wood Gundy Limited, Burns Fry Limited, McLeod Young Weir Limited, Pitfield Mackay Ross Limited, Richardson Securities of Canada, Lévesque, Beaubien Inc. and Pemberton Securities Limited (the "Underwriters"): (i) CDC has agreed to appoint the Underwriters as its agents to obtain subscriptions for the 1980 Preferred Shares under the Instalment Purchase Plan; (ii) CDC has agreed to sell and the Underwriters have agreed to purchase on October 15, 1980 (or such later date, no later than October 29, 1980 as may be agreed upon) 15,000,000 1980 Preferred Shares, less those then subscribed for pursuant to the Instalment Purchase Plan, at a price of $20 per share payable in cash to CDC against delivery of certificates for such shares; and (iii) CDC has agreed to pay to the Underwriters a commission of $0.72 in respect of each 1980 Preferred Share. In case of shares purchased by the Underwriters such commission is to be paid in full at the time of purchase and, in the case of shares purchased by subscribers under the Instalment Purchase Plan, such commission is to be paid to the extent of 20% at the time the Underwriters purchase the underwritten shares with the remainder to be paid in monthly instalments as the subscription price is paid. Pursuant to the terms of such agreement the Underwriters will have no right or obligation to purchase any shares which are not purchased pursuant to the Instalment Purchase Plan as a result of cancellation of subscriptions under the Plan.

The obligations of the Underwriters under the underwriting and agency agreement are several and may be terminated at their discretion on the basis of their assessment of the state of financial markets and may also be terminated on the occurrence of certain stated events or the non-fulfillment of certain stated obligations. The Underwriters are obligated to take up and pay for all of the underwritten shares if any such shares are purchased under the underwriting and agency agreement. The issue of 1980 Preferred Shares pursuant to the Instalment Purchase Plan will be conditional upon the purchase by the Underwriters of the underwritten shares. If the Underwriters do not purchase the underwritten shares, CDC will forthwith refund in full all payments made by subscribers under the Plan.

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 1980 Preferred Shares and Common Shares at levels above those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Eligibility for Investment

In the opinion of Borden & Elliot, Toronto and Tory, Tory, DesLauriers & Binnington, Toronto the 1980 Preferred Shares will be eligible investments, without resort to the so-called "basket" provisions but subject to general investment provisions, for:

(i) insurance companies regulated under the Canadian and British Insurance Companies Act (Canada), the Foreign Insurance Companies Act (Canada) and under legislation governing insurance companies of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec and New Brunswick;

(ii) loan companies and trust companies regulated under the Loan Companies Act (Canada), the Trust Companies Act (Canada) and under legislation governing loan companies of Saskatchewan, Manitoba, Ontario, Québec and Nova Scotia and under legislation governing trust companies of Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia; and

(iii) pension funds regulated under the Pension Benefits Standards Act (Canada) and under legislation governing pension funds of Alberta, Saskatchewan, Manitoba, Ontario, Québec and Nova Scotia.

In the opinion of such counsel the 1980 Preferred Shares will also be eligible investments for registered retirement savings plans and for registered home ownership savings plans under the Income Tax Act (Canada).

Restrictions on Share Ownership

The CDC Act states, in effect, that the only persons eligible to purchase, own or hold voting shares of CDC are individuals who are Canadian citizens or individuals, corporations, trusts or governments that are residents of Canada. The Act provides that, with the exception of the Government, no person together with his associates or those deemed by the Act to be his associates may own more than 3% of the outstanding voting shares of CDC.

In the CDC Act,

"resident" means an individual, corporation, trust or government that is not a non-resident;

"corporation" includes an association, partnership or other organization; and

"non-resident" means

(i) an individual who is not ordinarily resident in Canada;

(ii) a corporation incorporated, formed or otherwise organized, elsewhere than in Canada;

(iii) the government of a foreign state or any political subdivision thereof, or an agent of either;

(iv) a corporation that is controlled directly or indirectly by non-residents as defined in this paragraph;

(v) a trust

(a) established by a non-resident as defined in any of subparagraphs (ii) to (iv) other than a trust for the administration of a pension fund for the benefit of individuals a majority of whom are residents, or

(b) in which non-residents as defined in any of subparagraphs (i) to (iv) have more than fifty percent of the beneficial interest;

(vi) a corporation, of which the majority of the directors, or persons occupying the position of directors by whatever name called, are non-residents as defined in subparagraph (i); or

(vii) a corporation that is controlled directly or indirectly by a trust defined in this paragraph as a non-resident.

In accordance with the power given under the Act, the board of directors has determined that an individual is "ordinarily resident in Canada" when such person maintains a permanent residence in Canada and sojourns in Canada at least 183 days in each year.

To ensure compliance with these restrictions, CDC may require each subscriber for and any subsequent purchaser of 1980 Preferred Shares to sign a declaration confirming that such subscriber or purchaser, as the case may be, meets the requirements of the Act. A subscriber or any subsequent purchaser of 1980 Preferred Shares whose address to be recorded in the register of shareholders is a place outside Canada will be required to sign such a declaration prior to registration of any such shares.

The Act provides that:

(i) where a shareholder fails or neglects to submit a declaration when requested by CDC, the shares of CDC held by such shareholder shall be deemed to be held in contravention of the charter of CDC;

(ii) voting shares held by individuals who are neither Canadian citizens nor residents of Canada and shares held by corporations (as defined) and governments that are not Canadian residents are held in contravention of the charter of CDC;

(iii) certificates representing shares purchased or acquired by any person must be presented to CDC for transfer into the name of the beneficial owner or his designated nominee, trustee, executor or other personal representative within 60 days after the purchase or acquisition and shares not so presented are deemed to be held in contravention of the charter; and

(iv) the voting rights pertaining to any voting shares held in contravention of the charter shall not be exercised.

Pursuant to the Act, CDC may require a person who holds voting shares in contravention of the charter to dispose of such shares to a person who may hold voting shares of CDC within a specified period of not less than 60 days. Upon such a disposal, the voting rights may then be exercised in accordance with the provisions of the Act. Failing compliance with such requirement, the voting shares may be redeemed for cancellation by CDC at its sole option. For such purposes the redemption price in the case of a preferred share is the par value thereof and in the case of a common share is the lesser of the issue price on the initial issue (as defined in the Act) of common shares and the market price prevailing at the time of redemption.

Earnings Coverage

The maximum aggregate annual dividend requirements on the preferred shares of CDC outstanding at June 30, 1980 and on the 1980 Preferred Shares will amount to approximately $39,924,000 per annum. The consolidated net income of CDC for the twelve months ended June 30, 1980 was $151,503,000 which is approximately 3.79 times such maximum annual dividend requirements.

After giving effect to this issue, the maximum annual interest requirements of the long-term debt of CDC and its subsidiaries outstanding at June 30, 1980 together with the maximum annual dividend requirements on the preferred shares of CDC and its subsidiaries outstanding at June 30, 1980 (grossed up to a pre-tax equivalent basis using the consolidated income tax rate of CDC) will amount to $158,392,000. In the case of floating rates the rates prevailing on June 30, 1980 have been used. Consolidated earnings of CDC for the twelve months ending June 30, 1980 before deduction of interest on long-term debt, income taxes and dividends on preferred shares held by minority shareholders and without imputing any return from the proceeds of this issue was $322,752,000, which is approximately 2.04 times such maximum aggregate interest and dividend requirements. If the same calculation were made but the dividend requirements on the preferred shares of CDC and its subsidiaries were grossed up to a pre-tax equivalent basis using the actual 1979 income tax rates of each issuing company, the coverage would be approximately 2.25 times.

Payment of dividends by certain subsidiaries and affiliates is subject to restrictions imposed by the relevant share provisions or the terms of the instruments creating and governing debt of such subsidiaries and affiliates.

Asset Coverage

Based on the consolidated balance sheet at June 30, 1980, the adjusted consolidated net tangible assets of CDC, after giving effect to the issue of the 1980 Preferred Shares are as follows:

	(thousands)	
Current assets	$1,053,854	
Long-term investments	572,049	
Fixed assets (net)	1,172,291	
Other assets after deduction of intangible assets of $80,806	65,073	$2,863,267
Less: Current liabilities including current portion of long-term debt	628,442	
Long-term debt	565,925	
Interests of minority shareholders	700,997	1,895,364
		967,903
Estimated net proceeds of this issue		288,350
Adjusted consolidated net tangible assets before deduction of deferred income taxes		1,256,253
Less: Deferred income taxes		135,439
Adjusted consolidated net tangible assets after deduction of deferred income taxes		$1,120,814

The adjusted net tangible assets after deduction of deferred income taxes are approximately 2.07 times the aggregate par value of all preferred shares of CDC to be outstanding after giving effect to this issue. Prior to deduction of deferred income taxes the corresponding figure is 2.32 times.

The adjusted net tangible assets after deduction of deferred income taxes (before deduction of long-term debt of CDC and its subsidiaries and minority interest in preferred shares) amounting to $2,406,067,000 are approximately 1.32 times the aggregate of the principal amount of such long-term debt, minority interests in preferred shares and preferred shares of CDC to be outstanding after giving effect to this issue.

Management

CDC is managed by a board of directors representing a diversity of Canadian business, public and labour experience. The Act specifies that while the total number of voting shares of CDC held by the Government exceeds 50% of the outstanding voting shares, the Deputy Minister of Finance and the Deputy Minister of Industry, Trade and Commerce are non-voting ex-officio members of the board of directors. The Act also provides that the Government has the option to appoint annually not more than four directors instead of voting its shares to elect members of the board of directors.

CDC does not require Government approval in the conduct of its affairs and the Government has publicly indicated that it will not interfere with the directors in the exercise of their business judgement.

Directors and Officers

The names, municipalities of residence, office held with CDC and principal occupation of the directors and officers of CDC are as follows:

Directors

Name and municipality of residence	Principal occupation
PHILIPPE DE GASPÉ BEAUBIEN Westmount, Québec	Chairman of the Board, Télémédia Communications Ltée. (broadcasting holding company)
LAURENT ROBERT BEAUDOIN Montréal, Québec	Chairman and Chief Executive Officer, Bombardier Inc. (manufacturer of industrial, recreation and transportation products)
PIERRE CÔTÉ Québec City, Québec	Chairman, Celanese Canada Inc. (manufacturer and marketing of chemicals)
ALFRED JOHN ELLIS Vancouver, British Columbia	Chairman of the Board, Canada Development Corporation
JOHN PATRICK GALLAGHER Calgary, Alberta	Chairman and Chief Executive Officer, Dome Petroleum Limited (exploration, production and transportation of petroleum and natural gas)
HAROLD ANTHONY HAMPSON Toronto, Ontario	President and Chief Executive Officer, Canada Development Corporation
GORDON FREDERICK HUGHES Windsor, Nova Scotia	President and General Manager, Ocean Company Limited (financial holding company)
ROBERT JOHNSTONE (ex officio) Ottawa, Ontario	Deputy Minister, Department of Industry Trade & Commerce (Government of Canada)
DOUGLAS NEVILLE KENDALL Caledon, Ontario	Chairman, Enterprise Development Board (Federal Government assistance programme for Canadian manufacturers)
MURRAY BERNARD KOFFLER Willowdale, Ontario	Chairman of the Board, Koffler Stores Limited (retail drug stores and cleaners)
MARY SCHAEFER LAMONTAGNE Québec City, Québec	Corporate Director
SYDNEY MAISLIN Town of Mount Royal, Québec	Vice Chairman and Chief Executive Officer, Maislin Industries Limited (highway transportation and warehousing)
HUGH ALLEN MARTIN Vancouver, British Columbia	President, Western Construction & Engineering Research Limited (industrial development)

Name and municipality of residence	Principal occupation
William Cooper Young McGregor, Beaconsfield, Québec	National President, Brotherhood of Railway, Airline and Steamship Clerks (trade union)
Maurice John Moreau, Ottawa, Ontario	Executive Vice President & Chief Operating Officer, Eldorado Nuclear Limited (mining and refining)
Frederick William Sellers, Winnipeg, Manitoba	Chairman, Spiroll Corporation Limited (concrete machinery manufacturing)
Ian Affleck Stewart (ex officio), Ottawa, Ontario	Deputy Minister, Department of Finance (Government of Canada)
Jack Nellis Turvey, Vancouver, British Columbia	Chairman, Interprovincial Steel and Pipe Corporation Limited (producer of steel products)
Catherine Wallace, Fredericton, New Brunswick	Chairman, Maritime Provinces Higher Education Commission (organization co-ordinating post secondary education)
Allan Frederick Waters, Toronto, Ontario	President, CHUM Limited (radio and television broadcasting and related business)

Officers

Name and municipality of residence	Office
Alfred John Ellis, Vancouver, British Columbia	Chairman of the Board
Pierre Côté, Québec City, Québec	Vice Chairman of the Board
Harold Anthony Hampson, Toronto, Ontario	President and Chief Executive Officer
Joseph Yvon Serge Gouin, Toronto, Ontario	Executive Vice-President
John Brian Hague, Toronto, Ontario	Executive Vice President
Claude Raymond Marchand, Mississauga, Ontario	Senior Vice President and Secretary
Jerry William Bliley, Toronto, Ontario	Vice President
James Donald Ellis, Toronto, Ontario	Vice President
Nigel George Davidson Gray, Oakville, Ontario	Vice President and General Counsel
Brian Maxwell King, Toronto, Ontario	Vice President
Gerald Thomas McGoey, Toronto, Ontario	Vice President and Controller
James Meredith O'Reilly, Toronto, Ontario	Vice President and Treasurer

Name and municipality of residence	Office
SIMONE BERNADETTE COMEAU, Toronto, Ontario	Assistant Secretary
NANCY GILMOUR MORISON, Vancouver, British Columbia	Assistant Secretary
REINHARDT STILLE, Toronto, Ontario	Assistant Controller
GERALD NORMAN WOOD, Toronto, Ontario	Assistant Treasurer

All of the directors have been engaged for more than five years in their present principal occupations or in other capacities with the companies, organizations or predecessors thereof with which they currently hold positions except P. Côté who prior to May 1979 was Chairman of Laiterie Laval Limitée and R. Johnstone who prior to October 1975 was Advisor to Governor, Bank of Canada.

All of the officers of CDC have been actively engaged for more than five years in the affairs of CDC or its subsidiaries in executive capacities with the exception of P. Côté who prior to May 1979 was a director only; J. Y. S. Gouin who prior to September 1976 was General Manager of National Cablevision Ltd.; J. B. Hague who from October 1975 to April 1976 was Director General, Prices & Profits Branch, Anti-Inflation Board, Government of Canada; J. W. Bliley who prior to October 1978 was a management consultant with Currie, Coopers & Lybrand; N. G. D. Gray who from September 1975 to January 1978 was Associate General Counsel of Brinco Limited; B. M. King who prior to September 1978 was President of Fisons Corporation, Fisons Incorporated and Fisons Corporation Limited; G. T. McGoey who prior to July 1979 was a partner of Thorne Riddell; R. Stille who prior to June 1977 was a financial analyst with Pepsi Cola Canada Ltd. and prior to December 1976 was an investment analyst with Pitfield Mackay Ross Limited; and G. N. Wood who prior to April 1978 was Assistant Comptroller and Assistant Treasurer of McIntyre Mines Ltd. and prior to March 1977 was Assistant Treasurer of Rio Tinto-Zinc Corporation and prior to April 1976 was Assistant Treasurer of Rio Algom Ltd.

The following are officers who held different offices or positions with CDC or its subsidiaries since 1975 other than they hold today and the offices or positions include: J. Y. S. Gouin, Vice President; J. B. Hague, Financial Analyst; C. R. Marchand, Secretary and General Counsel; J. D. Ellis, Accountant; N. G. D. Gray, General Counsel; B. M. King, Executive Vice President of CDC Life Sciences Inc.; J. M. O'Reilly, Controller; S. B. Comeau, Executive Secretary; N. G. Morison, Executive Secretary and R. Stille, Accountant.

Remuneration of Directors and Senior Officers

The following table sets forth the remuneration paid by CDC and its subsidiaries for the benefit of its directors and senior officers for the year ended December 31, 1979:

	Nature of remuneration		
	Aggregate remuneration	Estimated pension benefits	Other benefits
Directors (total number: 20)			
From CDC and wholly-owned subsidiaries	$157,342	—	—
From AES Data Ltd; a partly-owned subsidiary	1,200	—	—
Five senior officers	542,945	$ 40,360	—
Officers receiving in excess of $50,000 (eight, including the five senior officers above)	722,709	50,161	—

Ownership of Securities

As at July 31, 1980 the directors and officers of CDC, as a group, owned beneficially, directly or indirectly, less than 1% of the Class B Preferred Shares and less than 1% of the Common Shares.

On February 26, 1980 CDC sold convertible subordinated debentures having an aggregate value of $2,470,000 to eleven senior officers and one employee. These debentures mature on February 26, 1990 and pay interest at a variable rate equal to the prime rate of a Canadian chartered bank. On or after December 31, of each of the years from 1980 to 1984, an aggregate principal amount of $494,000 of the debentures may be converted, at the option of the holders, into fully paid Common Shares. The conversion price is $14 per Common Share, which was the closing price on The Toronto Stock Exchange on February 25, 1980. CDC has reserved 176,428 Common Shares for issue upon conversion of the debentures.

Price Range of Common Shares

The Common Shares of CDC were listed on all Canadian stock exchanges in the fourth quarter of 1979. The following table sets forth the reported high and low sale prices and trading volumes of the Common Shares on The Toronto Stock Exchange for the periods indicated:

	High	Low	Volume
1979			
Fourth quarter	\$10⅜	\$ 7⅞	1,509,828
1980			
January	13	9¾	417,501
February	15⅝	11	346,408
March	14⅞	11	169,937
April	12¾	12	93,918
May	12¾	11¼	70,284
June	13⅛	12½	65,553
July	13⅜	13⅛	106,033
August	15	12⅞	329,130

The reported closing sale price for the Common Shares of CDC on The Toronto Stock Exchange on September 15, 1980 was \$13¾.

Dividends

Dividend Record

CDC has paid quarterly dividends at the rate of 5¾% per annum on its outstanding Class A Preferred Shares on each of the quarterly dividend payment dates since the issue of such shares in March 1974 and at the rate of 8% per annum on its outstanding Class B Preferred Shares on each of the quarterly dividend payment dates since their issue in October 1975. The combined aggregate of such dividends was \$17,332,000 in 1978 and 1979 and was \$8,594,000 for the first six months of 1980.

CDC has not paid dividends on its Common Shares and future dividend policy will be determined by the board of directors taking into account such factors as the earnings and cash requirements of CDC.

Dividend Reinvestment and Share Purchase Plan

CDC presently offers to the holders of its Class B Preferred Shares and its Common Shares a Dividend Reinvestment and Share Purchase Plan entitling such holders to purchase additional Common Shares. Under this plan holders of Class B Preferred Shares may apply the dividends received on such shares to the purchase of Common Shares at a price based on 95% of the Average Market Price. Under the plan "Average Market Price" means the average of the daily closing prices per Common Share on The Toronto Stock Exchange for the 5 trading days on which purchases and sales of at least 200 Common Shares took place preceding the date of purchase. In addition, holders of Class B Preferred Shares and Common Shares may purchase Common Shares by making optional cash contributions of up to \$3,000 per calendar quarter for the purchase of Common Shares at the Average Market Price. The Common Shares acquired pursuant to the plan are issued by CDC from its authorized but unissued capital and there are no brokerage fees or service charges payable in respect thereof.

CDC will extend to the holders of the 1980 Preferred Shares the right to participate in this Dividend Reinvestment and Share Purchase Plan.

The following table sets forth details concerning the 29,224 Common Shares issued by CDC pursuant to the Dividend Reinvestment and Share Purchase Plan for the period from March 1, 1980, the date of first sale under the plan, to July 31, 1980:

Date of issue		Price per share	Number of shares
March	Cash contributions	\$15.025	287
April	Cash contributions	11.875	8,017
	Dividend reinvestment	11.281	6,124
May	Cash contributions	12.175	2,684
June	Cash contributions	12.475	2,212
July	Cash contributions	12.95	3,324
	Dividend reinvestment	12.30	6,576

Legal Matters

Legal matters in connection with this offering have been approved on behalf of CDC by Borden & Elliot, Toronto, and on behalf of the Underwriters by Tory, Tory, DesLauriers & Binnington, Toronto. Partners of Borden & Elliot as a group own beneficially, directly or indirectly, 56 Common Shares and 40 Class B Preferred Shares of CDC and partners of Tory, Tory, DesLauriers & Binnington own beneficially, directly or indirectly, 300 Common Shares and 300 Class B Preferred Shares of CDC.

Auditors, Transfer Agents and Registrars

The auditors of CDC are Thorne Riddell, Chartered Accountants, Vancouver, British Columbia and Toronto, Ontario.

Registers of transfers for the Class A Preferred Shares are kept by CDC at its offices in Vancouver and Toronto. The registrar and transfer agent for the Class B Preferred Shares, the 1980 Preferred Shares and the Common Shares of CDC is National Trust Company, Limited and registers of transfers for the Class B Preferred Shares, the 1980 Preferred Shares and for the Common Shares will be kept by National Trust Company, Limited at its principal offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal and by its duly appointed agent, The Royal Trust Company, at its principal offices in Regina, Saint John, Charlottetown, Halifax and St. John's. In addition CDC maintains separate registers for the holders of the Class B Preferred Shares and the holders of the Common Shares and will maintain a register for the holders of the 1980 Preferred Shares. The only register for the 1980 Preferred Shares purchased pursuant to the Instalment Purchase Plan will be kept by CDC at its office in Vancouver.

Material Contracts

CDC in the ordinary course of its business has since incorporation entered into contracts relating to its investments and acquisitions in the areas referred to under the heading "Description of Investments". Particulars of contracts, including contracts entered into in the ordinary course of business of CDC and its subsidiaries within the past two years which could reasonably be regarded as presently material to the purchasers of the 1980 Preferred Shares are as follows:

(i) The underwriting and agency agreement referred to under "Plan of Distribution".

(ii) CDC Oil & Gas has obtained a commitment from a Canadian chartered bank under which the bank has provided a floating rate multi-currency revolving line of credit aggregating $315,000,000. The loan agreement to be entered into in connection with this line of credit will provide that the bank shall have a floating charge debenture to secure repayment of amounts due thereunder and CDC Oil & Gas will covenant in the loan agreement not to mortgage, pledge or otherwise encumber its properties. As at June 30, 1980 CDC Oil & Gas had drawn down $64.1 million under this line of credit.

A copy of the contract referred to in (i) above may be inspected at CDC's head office during the period of distribution to the public of the shares offered hereby and for a period of 30 days thereafter. A copy of such contract may also be examined at the office of the Ontario Securities Commission, 10 Wellesley Street East, Toronto, Ontario.

Auditors' Report

To the Directors of
CANADA DEVELOPMENT CORPORATION

We have examined the consolidated balance sheets of Canada Development Corporation as at December 31, 1979 and 1978 and the consolidated statements of income, retained earnings and changes in financial position for the five years ended December 31, 1979. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1979 and 1978 and the results of its operations and the changes in its financial position for the five years ended December 31, 1979 in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change, with which we concur, in accounting practice as described in note 11, on a consistent basis.

Vancouver, Canada
March 14, 1980
(September 17, 1980 as to notes 11 and 12)

THORNE RIDDELL
Chartered Accountants

Canada Development Corporation

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements incorporate the financial position, operating results and changes in financial position of the Corporation and its subsidiary companies, which are listed in note 13.

Foreign Exchange

Non-Canadian current assets and liabilities are translated at rates of exchange in effect at balance sheet dates, all other assets and non-current liabilities at the rates prevailing when the assets were acquired or the liabilities incurred and income and expenses, except depreciation, depletion and amortization, at rates in effect during the year. Gains or losses resulting from such translation practices are reflected in the consolidated statement of income.

Short-Term Investments

Short-term investments are valued at cost which approximates market value.

Inventories

Inventories are valued at the lower of cost and realizable value.

Long-Term Investments

The Corporation accounts for investments in companies over which it has significant influence on an equity basis. Other long-term investments are accounted for by the cost method.

Petroleum and Natural Gas Properties

The Corporation follows the full cost method of accounting for oil and gas operations, whereby all costs of acquiring properties, exploring for and developing oil and gas and related reserves are capitalized in various cost centres. Such costs include land acquisition costs, costs of drilling both productive and non-productive wells and overhead expenses related to exploration activities.

Depreciation, Depletion and Amortization

Depreciation of plant and equipment other than that relating to petroleum and natural gas properties is based on the estimated useful life of the assets from commencement of production and is calculated on the straight-line or diminishing balance method as considered most appropriate.

Depreciation, depletion and amortization of cost centres with producing properties is provided by the unit of production method based on the estimated proven recoverable reserves of each cost centre as determined by company engineers. Costs in other cost centres of non-producing properties are being amortized on a straight-line basis over the anticipated period of exploration for each cost centre. If exploration proves to be successful, amortization is suspended and the unamortized balance is depleted on the unit-of-production basis.

Pre-Production Expenditures

Pre-production expenditures incurred in connection with major new production facilities are deferred and amortized from commencement of production on the straight-line basis over a period generally not exceeding ten years.

Goodwill

Goodwill arising from acquisitions to the end of 1973 is recorded as an asset without amortization. Goodwill arising on acquisitions subsequent to 1973 is being amortized over the expected period of benefit, not to exceed forty years. If it subsequently becomes apparent that the value expected to be obtained has not been realized, or if the value of the goodwill is reduced or deteriorates, it will be appropriately amortized or written down.

Income Taxes

Income taxes include withholding taxes on dividends received.

For the purpose of computing taxable income, legislation in Canada and certain other countries permits the deduction of certain items in amounts which differ from those charged in the financial statements. Income taxes in the consolidated statement of income include taxes deferred as a result of these timing differences as well as taxes currently payable.

The Corporation does not give recognition to the potential tax benefit of losses until those benefits are realized. Recurring tax benefits, when realized, are not considered to be extraordinary in nature and are reflected as reductions of current income taxes.

CANADA DEVELOPMENT CORPORATION

Consolidated Balance Sheet

ASSETS

	June 30 1980 (unaudited)	December 31 1979	December 31 1978
		(thousands)	
CURRENT ASSETS			
Cash	$ 30,169	$ 14,100	$ 12,386
Short-term investments	132,917	196,483	276,866
Accounts receivable	395,067	392,033	318,219
Inventories (note 1)	479,086	395,347	295,469
Other current assets	16,615	8,125	23,607
	1,053,854	1,006,088	926,547
LONG-TERM INVESTMENTS (note 2)	572,049	509,268	420,926
FIXED ASSETS (note 3)	1,172,291	1,121,600	1,067,481
OTHER ASSETS (note 4)	145,879	139,264	130,381
	$2,944,073	$2,776,220	$2,545,335

LIABILITIES

	June 30 1980 (unaudited)	December 31 1979	December 31 1978
CURRENT LIABILITIES			
Short-term loans	$ 312,287	$ 233,836	$ 253,693
Accounts payable and accrued liabilities	273,407	296,601	240,080
Dividends payable	4,202	4,333	4,333
Income and other taxes payable	4,847	7,099	7,353
Long-term debt due within one year	33,699	33,534	8,490
	628,442	575,403	513,949
LONG-TERM DEBT (note 5)	565,925	539,840	500,511
DEFERRED INCOME TAXES	135,439	93,267	46,804
INTERESTS OF MINORITY SHAREHOLDERS (note 6)	700,997	734,428	745,690
	2,030,803	1,942,938	1,806,954

SHAREHOLDERS' EQUITY

	June 30 1980 (unaudited)	December 31 1979	December 31 1978
CAPITAL STOCK (note 7)	567,120	566,810	566,810
RETAINED EARNINGS	346,150	266,472	171,571
	913,270	833,282	738,381
	$2,944,073	$2,776,220	$2,545,335

Approved on behalf of the Board

(Signed) M. J. MOREAU, Director

(Signed) H. A. HAMPSON, Director

CANADA DEVELOPMENT CORPORATION

Consolidated Statement of Income

	Six months ended June 30 (unaudited)		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
			(thousands except per share amounts)				
REVENUE (note 8)	$1,124,157	$ 941,177	$2,014,912	$1,365,472	$ 756,514	$ 609,312	$ 511,484
EXPENSES							
Cost of sales	847,920	732,428	1,532,560	1,089,722	581,922	472,684	401,994
Selling, administration and research	124,825	108,208	226,581	164,949	107,825	88,346	81,002
Interest on long-term debt	21,629	21,647	46,742	35,732	19,113	10,098	10,255
Other interest	18,025	10,482	19,519	16,731	10,056	8,533	7,789
	1,012,399	872,765	1,825,402	1,307,134	718,916	579,661	501,040
	111,758	68,412	189,510	58,338	37,598	29,651	10,444
Equity in earnings of other companies	47,663	18,949	43,353	14,353	13,371	14,067	27,474
Income before the undernoted	159,421	87,361	232,863	72,691	50,969	43,718	37,918
Translation (gains) losses	(755)	2,171	18,739	(10,455)	(6,825)	4,428	(344)
Income taxes	45,181	17,530	59,763	19,635	17,737	11,349	8,358
Minority interest	25,943	16,318	40,568	26,179	6,006	4,610	3,285
Unusual items (note 9)	—	—	—	—	7,773	(320)	1,525
	70,369	36,019	119,070	35,359	24,691	20,067	12,824
NET INCOME (note 11)	$ 89,052	$ 51,342	$ 113,793	$ 37,332	$ 26,278	$ 23,651	$ 25,094
Earnings per common share after preferred share dividends	$2.48	$1.38	$3.11	$0.65	$0.29	$0.21	$0.54
Fully diluted earnings per common share	$1.79	$1.01	$2.25				

Consolidated Statement of Retained Earnings

	Six months ended June 30 (unaudited)		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
			(thousands)				
RETAINED EARNINGS AT BEGINNING OF PERIOD (note 11)	$266,472	$171,571	$171,571	$153,131	$ 94,171	$ 89,375	$ 73,376
Net income	89,052	51,342	113,793	37,332	26,278	23,651	25,094
Excess of book value over cost at date of acquisition of subsidiary (note 10)	—	—	—	—	51,574	—	—
	355,524	222,913	285,364	190,463	172,023	113,026	98,470
Dividends on preferred shares	8,594	8,666	17,332	17,332	17,332	17,296	8,592
Amortization of cost of preferred share issues	780	780	1,560	1,560	1,560	1,559	503
	9,374	9,446	18,892	18,892	18,892	18,855	9,095
RETAINED EARNINGS AT END OF PERIOD	$346,150	$213,467	$266,472	$171,571	$153,131	$ 94,171	$ 89,375

CANADA DEVELOPMENT CORPORATION

Consolidated Statement of Changes in Financial Position

	Six months ended June 30 (unaudited)		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
				(thousands)			
WORKING CAPITAL DERIVED FROM							
Operations							
Net income	$ 89,052	$ 51,342	$113,793	$ 37,332	$ 26,278	$ 23,651	$ 25,094
Items not involving working capital							
Depreciation and depletion	34,653	32,217	65,110	52,580	39,510	30,386	22,535
Amortization	7,731	5,520	13,937	5,766	3,157	1,414	3,014
Decrease (increase) in equity in other companies	(37,553)	(5,004)	(19,451)	2,312	6,589	(3,889)	(15,744)
Deferred income taxes	42,172	7,606	46,464	9,571	8,806	6,933	546
Minority interest	25,943	16,318	40,568	26,179	6,006	4,610	3,285
	161,998	107,999	260,421	133,740	90,346	63,105	38,730
Issues of long-term debt	117,817	27,328	114,442	252,151	228,599	240,920	123,435
Net increase (decrease) in investment by minority shareholders	(32,182)	4,055	—	602,170	42,540	29,216	61,967
Issue of shares and rights	310	—	—	—	—	2,247	142,563
	247,943	139,382	374,863	988,061	361,485	335,488	366,695
WORKING CAPITAL APPLIED TO							
Investment in petroleum and natural gas properties	36,739	16,289	40,813	33,418	70,942	10,617	102,294
Net additions to other fixed assets	48,605	28,507	78,416	60,371	230,195	281,620	192,658
Investment in other companies	25,228	8,671	68,891	18,654	7,404	47,621	5,527
Dividends on preferred shares	8,594	8,666	17,332	17,332	17,332	17,296	8,592
Reduction of long-term debt	91,732	13,089	75,113	438,962	13,127	22,773	9,573
Additions to other assets	15,126	3,969	24,380	46,557	38,187	18,920	16,096
Dividends to minority shareholders	27,192	26,563	51,831	29,591	4,335	4,322	3,206
	253,216	105,754	356,776	644,885	381,522	403,169	337,946
INCREASE (DECREASE) IN WORKING CAPITAL	(5,273)	33,628	18,087	343,176	(20,037)	(67,681)	28,749
WORKING CAPITAL AT BEGINNING OF PERIOD	430,685	412,598	412,598	69,422	89,459	157,140	128,391
WORKING CAPITAL AT END OF PERIOD	$425,412	$446,226	$430,685	$412,598	$ 69,422	$ 89,459	$157,140

CANADA DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Information as at June 30, 1980 and for the periods ended June 30, 1980 and 1979 is unaudited.

1. Inventories

	June 30	December 31	
	1980	1979	1978
		(thousands)	
Finished goods	$261,798	$197,378	$146,322
Raw materials and work in progress	183,652	168,304	113,843
Operating and maintenance supplies	33,636	29,665	35,304
	$479,086	$395,347	$295,469

2. Long-Term Investments

	June 30	December 31	
	1980	1979	1978
		(thousands)	
Mining (Texasgulf Inc.)	$509,160	$457,774	$377,662
Venture and expansion capital companies	36,976	26,480	19,736
Petrochemical group investments	21,583	20,916	18,901
Life Sciences group investments	4,330	4,098	4,627
	$572,049	$509,268	$420,926

(i) As at June 30, 1980 the Corporation, through a wholly-owned subsidiary, owns 10,893,406 (33.1%) of the outstanding common shares of Texasgulf and 1,225,200 (40.8%) of the outstanding $3.00 convertible cumulative preferred Series A shares of Texasgulf. If all outstanding Texasgulf preferred shares were converted to common shares, the Corporation's ownership would be 34.7%. The quoted market value of the Corporation's shares of Texasgulf at June 30, 1980 was $562 million which, because of the number of shares owned, is not necessarily indicative of the amount which would be realized if the shares were to be sold.

(ii) The excess of cost of the investment in the common shares of Texasgulf over the Corporation's equity in the net book value of Texasgulf at the dates of acquisition has been allocated to resource assets, which are diverse both in nature and in estimated length of economic life, and the excess is being amortized on a straight-line basis over a period of forty years.

The Corporation's equity in the reported earnings of Texasgulf which is included in "Equity in earnings of other companies" has been computed as follows:

	Six months ended June 30		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
			(thousands)				
Share of net income of Texasgulf (note 11)	$53,617	$20,997	$50,787	$18,192	$17,198	$19,848	$30,446
Less amortization of excess of cost of investment over equity in net book value of underlying assets of Texasgulf	2,100	2,100	4,200	3,869	3,802	3,802	3,802
	$51,517	$18,897	$46,587	$14,323	$13,396	$16,046	$26,644

3. Fixed Assets

	June 30	December 31	
	1980	1979	1978
		(thousands)	
Land, plant and equipment	$1,295,449	$1,246,844	$1,174,027
Petroleum and natural gas properties	305,367	269,743	233,094
	1,600,816	1,516,587	1,407,121
Less accumulated depreciation	428,525	394,987	339,640
	$1,172,291	$1,121,600	$1,067,481

4. Other Assets

	June 30 1980	December 31 1979	December 31 1978
		(thousands)	
Long-term receivables	$ 14,295	$ 15,855	$ 17,128
Pre-production expenditures	50,778	52,772	58,233
Goodwill	73,589	64,390	46,328
Cost of long-term financings	7,217	6,247	8,692
	$145,879	$139,264	$130,381

During the next five fiscal years, pre-production expenditures and goodwill are expected to be amortized to income at the rate of $15.5 million annually.

5. Long-Term Debt

	June 30 1980	December 31 1979	December 31 1978
		(thousands)	
CANADA DEVELOPMENT CORPORATION			
5% Income debentures, due 1984 (United States dollars)	$ 61,350	$ 61,350	$ 61,350
4.375% Notes, due 1985 (Swiss francs)	153,988	153,988	153,988
Convertible subordinated debentures, due 1990	2,470	—	—
	217,808	215,338	215,338
CDC DATA SYSTEMS LIMITED			
11.75% Mortgage, due 1986	1,393	1,398	—
Floating rate bank loan, secured	15,000	15,000	—
Floating rate term loans, repayable through 1981 (United States dollars)	3,204	3,964	5,774
Floating rate lease finance loan, due 1982	1,821	2,106	1,025
Other	745	1,490	2,314
	22,163	23,958	9,113
CDC LIFE SCIENCES INC.			
8% Mortgages, repayable through 1997 (United States dollars)	4,550	4,642	4,814
3.875% Bank loan, due 1986 (Swiss francs)	8,527	8,527	—
Floating rate term loans, due 1980	2,428	2,368	2,138
Floating rate term loan (United States dollars)	—	—	4,870
9.25% Mortgage, repayable through 1985 (United States dollars)	2,879	2,933	3,034
6% to 10% Mortgages, repayable through 1985 (Danish kroner)	2,299	2,458	2,771
Other	2,728	2,203	1,148
	23,411	23,131	18,775
CDC OIL & GAS LIMITED			
Floating rate multi-currency revolving line of credit, secured (Swiss francs)	64,119	—	—
5.75% Notes due 1986 (Swiss francs)	36,115	—	—
Customer prepayments	5,383	5,356	2,142
Floating rate bank loan, secured	—	65,604	—
Floating rate bank loan, secured (United States dollars)	—	11,848	—
Floating rate term loans, secured (United States dollars)	—	—	53,316
	105,617	82,808	55,458
POLYSAR LIMITED			
7.5% Sinking fund debentures repayable through 1987	7,027	7,177	9,143
9% Sinking fund debentures repayable through 1993	29,470	30,641	33,411
Other	—	—	2,600
In United States dollars			
10% Debentures, due 1982	28,959	29,763	30,192
9.5% Debentures, due 1986	50,613	50,613	50,613
Floating rate term loans, repayable 1980 through 1987	54,478	53,891	53,735
4.75% to 13.25% Notes and mortgages, repayable through 2003	12,054	6,872	5,706
Capitalized lease obligations, expiring through 1985	5,897	6,958	7,768

	June 30	December 31	
	1980	1979	1978
		(thousands)	
In other currencies			
7.5% Minimum rate loan, due 1980 (Swiss francs)	$ 17,680	$ 18,335	$ 6,244
2.5% to 9% loans, repayable through 2004 (German marks)	2,763	2,893	3,655
9.25% loan, repayable in 1979 and 1980 (French francs)	—	436	727
9% Mortgage, repayable through 1981 (Belgian francs)	—	338	463
Capitalized lease obligations, expiring through 1992 (Belgian francs)	718	745	1,180
Capitalized lease obligations, expiring 1980 through 1988	2,411	2,383	—
Other	18,555	17,094	4,880
	230,625	228,139	210,317
	599,624	573,374	509,001
Less principal due within one year	33,699	33,534	8,490
	$565,925	$539,840	$500,511

Long-term debt payable in foreign currency if converted into Canadian dollars on the basis of exchange rates prevailing at June 30, 1980 would increase by approximately $51.3 million.

At December 31, 1979, sinking fund requirements and the long-term debt due in each of the next six fiscal years were as follows: 1980 $33.5 million; 1981 $10.5 million; 1982 $40.1 million; 1983 $16.4 million; 1984 $77.6 million; 1985 $172.2 million.

6. Interests of Minority Shareholders

	June 30	December 31	
	1980	1979	1978
		(thousands)	
Preferred equity			
Petrosar			
Class A	$425,000	$425,000	$445,000
Class B	26,000	22,880	17,160
Class C	69,629	69,629	69,629
Polysar			
First Preferred	50,000	50,000	50,000
Polysar Holdings (a subsidiary)	85,000	85,000	85,000
CDC Life Sciences			
Connaught Laboratories (a subsidiary)	30,000	30,000	30,000
CDC Data Systems	—	35,019	19,327
	685,629	717,528	716,116
Common equity	15,368	16,900	29,574
	$700,997	$734,428	$745,690

(i) Petrosar's Class A redeemable preference shares bear a cumulative dividend at an annual rate of 1.35% plus 52% of the Canadian bank prime rate. These shares are redeemable in the fiscal years through 1987 as follows:

1980 $35 million; 1981 $40 million; 1982 $50 million; 1983 through 1987 $60 million per annum.

Petrosar's 260,000 Class B preference shares are redeemable at their par value of $1 each only after dividends have been paid aggregating $100 per share plus 60 cents for each month that the shares have been outstanding.

The Class B shares are issued pursuant to an agreement whereby certain shareholders, including Polysar, have agreed to provide Petrosar with sufficient funds to enable it to pay the dividend on the Class A preference shares if Petrosar is unable to pay such dividends and to purchase these shares if not redeemed as scheduled. Polysar's portion of such obligation is 48%. The Corporation has guaranteed certain of Polysar's obligations under the financing arrangements, the amount of which may vary but is limited to a maximum of $30 million.

Petrosar's Class C redeemable preference shares bear a cumulative dividend at an annual rate of 10.5% beginning February 1, 1981. These shares were issued to certain shareholders, including Polysar, upon cancellation of their Subordinated Debentures and accrued interest thereon.

(ii) Polysar has outstanding $50 million 8.4% cumulative redeemable first preferred shares. Polysar is required during the 30-day period ending March 1, 1982, to invite tenders at $25 per share from the holders of these shares and to purchase on April 1, 1982 the shares so tendered.

Polysar Holdings' $85 million redeemable preferred shares bear a cumulative dividend of 1.25% plus one-half of the Canadian bank prime rate. Redemptions are required to be made in equal annual amounts from 1986 through 1988 inclusive.

(iii) Connaught Laboratories' $30 million redeemable preferred shares bear a cumulative dividend of 1% plus one-half of the Canadian bank prime rate. Redemptions are required to be made in equal amounts from 1981 through 1986 inclusive, with the balance in 1987.

(iv) CDC Data Systems' $19.3 million preferred shares Series 1 and 2 were redeemed in 1979 and the $35.0 million preferred shares Series 3 and 4 were redeemed in 1980.

7. Capital Stock

(i) Authorized

Preferred

$1,000,000,000 divided into shares with a par value in any multiple of $5 not exceeding $1,000 each as follows:

$100,000,000 Class A preferred shares,
$200,000,000 Senior preferred shares,
$144,781,700 Class B preferred shares,
$300,000,000 Public preferred shares (note 12), and
$255,218,300 remain undesignated.

Common

200,000,000 shares without par value

	June 30	December 31	
	1980	1979	1978
		(thousands)	
(ii) Issued			
Preferred			
10,000,000 5¾% cumulative, redeemable, non-voting Class A preferred shares of $10 each	$100,000	$100,000	$100,000
1,421,799 8% cumulative, redeemable, convertible, voting Class B preferred shares of $100 each (1979, 1,447,678 shares)	142,180	144,768	144,780
Common			
32,465,329 shares (1979, 32,161,336 shares)	324,940	322,042	322,030
	$567,120	$566,810	$566,810

The Class A preferred shares are redeemable on or after March 5, 1981 at the option of either the Corporation or any holder at par plus all accrued and unpaid dividends.

The Class B preferred shares are redeemable at the option of the holder from October 2, 1980 through December 31, 1980 and from October 2, 1985 through October 1, 1986, at par plus all accrued and unpaid dividends. They are also redeemable at the option of the Corporation, commencing October 2, 1980 at a price of $105 per share, reducing by $1 per year until October 2, 1985 when they become redeemable at $100 per share plus, in all cases, accrued and unpaid dividends.

Each Class B preferred share carries the right to receive one further bonus common share which is to be issued to each holder of record on October 1, 1985, subject to an earlier record date being fixed by the Board of Directors.

Each Class B preferred share may be converted at any time at the option of the holder into ten common shares. On conversion, the holder receives immediate delivery of the bonus common share.

At meetings of shareholders, holders of Class B preferred shares are entitled to ten votes per share and holders of common shares are entitled to one vote per share.

On October 26, 1979 the Corporation issued 1,447,690 common shares as a result of an early distribution of the first bonus common share. During 1979 and the first six months of 1980, 1,476 common shares, and 284,669 common shares were respectively issued upon conversion of Class B preferred shares. During the six months ending June 30, 1980 25,903 common shares were issued for an aggregate consideration of $310,000 in accordance with the Shareholder Dividend Reinvestment and Share Purchase Plan.

(iii) Common shares reserved

At June 30, 1980, 14,217,990 common shares were reserved for issue upon the conversion of the outstanding Class B preferred shares and 1,421,799 common shares were reserved for issue pursuant to bonus common share rights. A further 2,157,104 common shares were reserved for issue under the Shareholder Dividend Reinvestment and Share Purchase Plan and for the conversion of convertible subordinated debentures.

8. Revenue

	Six months ended June 30		Year ended December 31				
	1980	1979	1979	1978	1977	1976	1975
					(thousands)		
Sales of products and services							
Petrochemicals	$ 914,809	$762,946	$1,629,040	$1,122,342	$ 599,908	$ 480,440	$ 416,739
Life Sciences	73,001	62,897	132,268	132,270	106,440	88,704	81,690
Oil and gas	30,063	24,227	51,129	42,968	34,888	26,413	—
Electronics	84,634	65,039	153,477	44,549	—	—	—
	1,102,507	915,109	1,965,914	1,342,129	741,236	595,557	498,429
Interest income	10,759	13,645	28,273	13,041	9,942	10,526	8,945
Other income	10,891	12,423	20,725	10,302	5,336	3,229	4,110
	$1,124,157	$941,177	$2,014,912	$1,365,472	$ 756,514	$ 609,312	$ 511,484

9. Unusual Items

	Year ended December 31		
	1977	1976	1975
		(thousands)	
Provision for losses of the building division of Polysar	$2,400	$ 429	$1,525
Gain on sale of land by Connaught Laboratories	—	(749)	—
Write-off of investment in Canadian Arctic Gas	2,039	—	—
Provision for decline in value of investments in certain subsidiary companies of Polysar and Life Sciences	3,334	—	—
	$7,773	$ (320)	$1,525

10. Acquisitions

Results of operations of all investees are included from their respective dates of acquisition.

(i) Texasgulf

In 1976 the Corporation purchased 1,000,000 of the outstanding $3.00 convertible cumulative preferred Series A shares for $49.3 million. During 1979, the Corporation acquired a further 225,200 preferred series A shares and 1,181,930 common shares of Texasgulf for cash consideration of $50.8 million and, during the six months ended June 30, 1980, the Corporation acquired an additional 232,931 common shares of cash consideration of $10.6 million.

(ii) CDC Oil & Gas

On December 31, 1975, the Corporation acquired all the shares of the Canadian subsidiary of Tenneco Inc. together with other Canadian oil and gas properties for a total cash consideration of $110.2 million.

(iii) Polysar

On April 3, 1975, 945,001 common shares were issued to the Government of Canada in payment of $10 million as final consideration for the purchase of Polysar.

After review of its investment in Polysar for the years 1972 to 1977 inclusive, the Corporation concluded that it was appropriate to transfer in 1977, $51.6 million which was the excess of book value over cost at date of acquisition of Polysar directly to retained earnings in view of the Corporation's return on its investment in Polysar and the disposition of certain of Polysar's assets.

(iv) CDC Data Systems

In 1978, the Corporation, through a wholly-owned subsidiary, CDC Data Systems Limited, acquired 53.7% of the outstanding shares of AES Data Ltd. which in turn acquired all the outstanding shares of Wordplex Corporation. At the same time, the Corporation acquired 57.7% of the outstanding shares of Ventek Limited. During 1979 and the first six months of 1980, the Corporation acquired additional shares of AES from management for a total consideration of $14.5 million. In addition, the Corporation invested a further $35 million in both common and convertible preferred shares of AES which if converted would increase the Corporation's holdings of AES to 78.8%. This further investment brings the Corporation's total investment in this group of companies to $126 million.

Fishery Products

On September 11, 1980 the Corporation acquired a 40% interest in Fishery Products Limited of St. John's, Newfoundland by investing a total of $34.4 million in voting shares and debentures.

11. Change in Accounting Practice

In 1980 Texasgulf adopted the flow-through method of accounting for investment tax credits. Under this method investment tax credits are reflected in net income in the period the qualifying investment is made, rather than amortizing the credit over the estimated life of the investment. This change in accounting principle has been retroactively adopted by the Corporation and as a

result, previously reported net income and retained earnings have been increased as follows:

Year ended December 31	Increase to net income
	(thousands)
1975	$2,153
1976	1,951
1977	2,474
1978	919
1979	778
Cumulative effect to retained earnings at December 31, 1979	$8,275
Six months ended June 30	
1979	$ 393
1980	$3,136

12. Subsequent Event

On September 17, 1980 the Corporation entered into an agreement with underwriters for the sale and distribution of 15,000,000 7.60% Cumulative Redeemable Convertible Voting Preferred Shares, 1980 Issue with a par value of $20 per share. These shares are described under "Details of the Offering". The net consideration to be received by the Corporation will be approximately $288,350,000 after deducting underwriting commissions of $10,800,000 and estimated expenses of issue of $850,000. In the event of cancellation of subscriptions to the Instalment Purchase Plan provided for in the agreement, the number of shares sold, the total commission and the net consideration to the Corporation will be reduced accordingly.

13. Consolidated Subsidiary Companies

CDC Energy & Metals Limited
- CDC Nederland B.V.

CDC Data Systems Limited
- AES Data Ltd.
- AES A.G.
- AES GmbH
- AES Nederland B.V.
- AES Schweiz A.G.
- AES Wordplex Ltd.
- AES Wordplex Europe Ltd.
- Wordplex Corporation
- Wordplex Leasing Ltd.

CDC Life Sciences Inc.
- Bio-Research Laboratories Ltd.
- Bio Resources Inc.
- Canada Pharmacal Co. (1975) Limited
- Comex Nederland B.V.
- Comprator A.G.
- Connaught Biologics Limited
- Connaught Laboratories Inc.
- Connaught Laboratories Limited
- Connaught Laboratories (Export) Inc.
- Connaught Laboratories (Ireland) Limited
- Connaught do Brasil Industria e Comercio Limitada
- OY Dumex AB
- Dumex B.V.
- A/S Dumex, Denmark
- Dumex GmbH
- Dumex Lakemedel AB
- A/S Dumex, Norway
- Dumex (Pty.) Ltd.
- Dumex SPA
- Nordic Laboratories Inc.
- Maltex APS
- Omnimedic Inc.
- R. & L. Molecular Research Ltd.
- Raylo Chemicals Limited
- Steele Chemicals Co. Ltd.

CDC Oil & Gas Limited
- CDC Producing Company
- CDC Oil & Gas International B.V.
- CDC Oil & Gas (U.K.) Limited
- CDC Minerals Limited

CDC Ventures Inc.

Petrosar Limited

Polysar Limited
- Bellaplast GmbH
- Bellaplast Nederland B.V.
- Bellaplast (U.K.) Ltd.
- Kayson-Mammoth Limited
- Komfortplast GmbH
- Nippon Polymers Company Limited
- Polymer Services Inc.
- Polysar Australia Pty. Ltd.
- Polysar Belgium N.V.
- Polysar Cayman Limited
- Polysar de Venezuela S.A.
- Polysar Deutschland GmbH
- Polysar do Brasil Produtos Quimicos Ltda.
- Polysar Europa S.A.
- Polysar France S.A.
- Polysar GmbH
- Polysar Handelmaatschappij B.V.
- Polysar Holdings Limited
- Polysar Incorporated
- Polysar International S.A.
- Polysar Italiana S.P.A.
- Polysar Latex, Inc.
- Polysar Nederland B.V.
- Polysar Resins, Inc.
- Polysar Rubber Services, Inc.
- Polysar Skandinaviska A.B.
- Polysar Technical Service Centre N.V.
- Polysar (U.K.) Limited
- Société Française Polysar
- Synthetic Elastomers Development S.A.

Ventek Limited

Purchasers' Statutory Rights

Sections 70, 126 and 135 of The Securities Act, 1978 (Ontario) provide, in effect, that where a security is offered in the course of a distribution or a distribution to the public:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received or deemed to be received by him or his agent; and

(b) if a prospectus together with any amendment thereto contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution or distribution to the public shall be deemed to have relied on such misrepresentation if it was a misrepresentation at the time of purchase and, subject to the limitations set forth in such Act:

(1) the purchaser has a right of action for damages against,

(i) the issuer or a selling security holder on whose behalf the distribution is made,

(ii) each underwriter required to sign the certificate required by section 58 of such Act,

(iii) every director of the issuer at the time the prospectus or amendment was filed,

(iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under such Act but only with respect to reports, opinions or statements made by them, and

(v) every other person or company who signed the prospectus or the amendment,

but no action to enforce the right shall be commenced by a purchaser more than, the earlier of, 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or three years after the date of the transaction that gave rise to the cause of action;

(2) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Sections 64 and 65 of The Securities Act (Alberta), sections 71 and 72 of The Securities Act (Saskatchewan) and sections 63 and 64 of The Securities Act (Manitoba) provide, in effect, that where a security is offered in the course of distribution to the public:

(A) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by the purchaser or his agent, and

(B) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security, as of the date of receipt or deemed receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right of rescission can be commenced after the expiration of 90 days from the date of such contract or the date on which such prospectus or amended prospectus is received by the purchaser or the purchasers' agent, whichever is later.

Sections 60 and 61 of the Securities Act (British Columbia), sections 25 and 26 of the Securities Ordinance (Northwest Territories) and sections 25 and 26 of the Securities Ordinance (Yukon Territory) provide, in effect, that where a security is offered in the course of primary distribution to the public, a purchaser has the same right of rescission described in (B) above and also that a purchaser has the right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus together with financial statements and reports and summaries of reports relating to the security, as filed with the Superintendent of Brokers for British Columbia, or the Registrar of Securities of such Territory, as the case may be, was not delivered to the purchaser or the purchaser's agent prior to delivery of the written confirmation of the sale of the security to either of them. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the security within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the aforesaid Acts and Ordinances for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Certificates

Dated: September 17, 1980

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of The Securities Act, 1978 (Ontario), by Part III of the Securities Ordinance (Yukon Territory) and by Part III of the Securities Ordinance (Northwest Territories) and the respective regulations thereunder, by the Securities Act (Quebec) and the Regulation thereunder and by section 13 of the Securities Act (New Brunswick).

(Signed) H. A. HAMPSON
President and
Chief Executive Officer

(Signed) J. M. O'REILLY
Vice President and Treasurer

On behalf of the Board of Directors

(Signed) A. JOHN ELLIS
Director

(Signed) MARY LAMONTAGNE
Director

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of The Securities Act, 1978 (Ontario), by Part III of the Securities Ordinance (Yukon Territory) and by Part III of the Securities Ordinance (Northwest Territories), and the respective regulations thereunder, under the Securities Act (Quebec) and the Regulation thereunder and by section 13 of the Securities Act (New Brunswick).

WOOD GUNDY LIMITED
by: (Signed) J. N. ABELL

BURNS FRY LIMITED
by: (Signed) W. L. MATTHEWS

MCLEOD YOUNG WEIR LIMITED
by: (Signed) I. X. DE SOUZA

PITFIELD MACKAY ROSS LIMITED
by: (Signed) T. F. RAHILLY

RICHARDSON SECURITIES OF CANADA
by: (Signed) DONALD FRASER

LÉVESQUE, BEAUBIEN INC.
by: (Signed) PAUL POMMIER

PEMBERTON SECURITIES LIMITED
by: (Signed) D. E. ROBERTS

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% of the capital of:

Wood Gundy Limited: C. E. Medland, J. N. Abell, R. E. Beale, J. R. LeMesurier, J. M. G. Scott and I. S. Steers;

Burns Fry Limited: H. B. Boyer, L. C. Burns, R. J. Deyell, P. B. M. Eby, R. A. Gunn, D. K. Johnson, R. J. Lawrence, W. L. Matthews, F. J. Troop and I. T. Watson;

McLeod Young Weir Limited: None;

Pitfield Mackay Ross Limited: W. C. Pitfield, D. L. Torrey, D. C. Mackay, A. F. MacAllaster, J. C. Caty, and W. Y. Soper;

Richardson Securities of Canada: George T. Richardson;

Lévesque, Beaubien Inc: André Charron, J. Louis Lévesque, S. E. Brock and F. R. Graham; and

Pemberton Securities Limited: W. R. Wyman, V. A. Christie, M. M. Ryan, F. R. Wright, R. M. Thompson, M. V. Leith, T. M. Ohashi, D. N. Alexander, M. B. McManus and J. G. Chaston.